

CITY OF KING COVE, ALASKA

Basic Financial Statements, Required Supplementary Information,  
Additional Supplementary Information and Compliance Report

Year Ended June 30, 2018

CITY OF KING COVE, ALASKA

Basic Financial Statements, Required Supplementary Information,  
Additional Supplementary Information and Compliance Report

Year Ended June 30, 2018

# CITY OF KING COVE, ALASKA

## Table of Contents

	<u>Exhibit</u>	<u>Page</u>
<b>Independent Auditor's Report</b>		1-3
<b>Basic Financial Statements:</b>		
Government-Wide Financial Statements:		
Statement of Net Position	A-1	4
Statement of Activities	B-1	5
Fund Financial Statements:		
Balance Sheet - Governmental Funds	C-1	6
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	C-2	7
Statement of Revenues, Expenditures and		
Changes in Fund Balances - Governmental Funds	D-1	8
Reconciliation of Change in Fund Balances		
of Governmental Funds to Statement of Activities	D-2	9
Statement of Revenues, Expenditures, and Changes in		
Fund Balance – Original and Final Budget and Actual:		
General Fund	E-1	10
Water and Sewer Special Revenue Fund	E-2	11
Proprietary Funds:		
Statement of Net Position	F-1	12
Statement of Revenues, Expenses and Changes in Net Position	F-2	13
Statement of Cash Flows	F-3	14
Notes to Basic Financial Statements		15-45
<b>Required Supplementary Information</b>		
Public Employees' Retirement System:		
Schedule of the City's Proportionate Share of the Net Pension Liability	G-1	46
Schedule of the City's Proportionate Share of the Net OPEB Liability	G-2	47
Schedule of the City's Contributions (Pensions)	G-3	48
Schedule of the City's Contributions (OPEB)	G-4	49

# CITY OF KING COVE, ALASKA

## Table of Contents, Continued

	<u>Exhibit</u>	<u>Page</u>
<b>Additional Supplementary Information</b>		
General Fund:		
Balance Sheet	H-1	50
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	H-2	51-55
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) – Budget and Actual:		
Water and Sewer Special Revenue Fund	H-3	56-57
General Capital Project Fund	H-4	58
Proprietary Funds:		
Electric Enterprise Fund:		
Schedule of Net Position	I-1	59
Schedule of Revenues, Expenses and Changes in Net Position	I-2	60
Schedule of Cash Flows	I-3	61
Harbor and Port Enterprise Fund:		
Schedule of Net Position	J-1	62
Schedule of Revenues, Expenses and Changes in Net Position	J-2	63-64
Schedule of Cash Flows	J-3	65
Nonmajor Governmental Funds:		
Combining Balance Sheet	K-1	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)	K-2	67
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:		
Solid Waste Collection Special Revenue Fund	K-3	68
Permanent Fund Special Revenue Fund	K-4	69
Vehicle and Machinery Replacement Capital Project Fund	K-5	70
Harbor Haul Out Pad Capital Project Fund	K-6	71
Homeland Security Capital Project Fund	K-7	72
City Fuel Internal Service Fund:		
Schedule of Net Position	L-1	73
Schedule of Revenues, Expenses and Changes in Net Position	L-2	74
Schedule of Cash Flows	L-3	75

CITY OF KING COVE, ALASKA

Table of Contents, Continued

	<u>Page</u>
<b>Compliance Reports:</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	76-77
Schedule of Findings	78-80
Summary of Prior Year Findings	81
Corrective Action Plan	82-83

## **Independent Auditor's Report**

Members of the City Council  
City of King Cove, Alaska  
King Cove, Alaska

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of King Cove, Alaska, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of King Cove, Alaska's basic financial statements as listed in the table of contents.

## **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of King Cove, Alaska, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, and the Water and Sewer Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Schedule of the City's Proportionate Share of the Net Pension and OPEB Liabilities and Schedule of the City's Contributions to the Public Employees' Retirement System on pages 46 to 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The information listed in the Table of Contents as "Additional Supplementary Information," which includes combining and individual major and nonmajor fund financial statements and schedules and business-type activities schedules, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Additional Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Additional Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City's basic financial statements for the year ended June 30, 2017, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The additional supplementary information related to the 2017 financial statements which includes the individual major and nonmajor fund financial schedules and business-type activities schedules for the year ended June 30, 2017, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 additional supplementary information listed above are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2019, on our consideration of City of King Cove, Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of King Cove, Alaska's internal control over financial reporting and compliance.



Anchorage, Alaska  
May 6, 2019



## CITY OF KING COVE, ALASKA

## Statement of Net Position

June 30, 2018

<u>Assets and Deferred Outflows of Resources</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,494,859	-	3,494,859
Receivables:			
Accounts	295,543	137,824	433,367
Sales taxes	233,686	-	233,686
Other	5,446	-	5,446
Allowance for doubtful accounts	-	(9,579)	(9,579)
Internal balances	196,909	(196,909)	-
Inventories	-	257,206	257,206
Investment in Southwest Governments, LLC	118,136	-	118,136
Restricted cash - bond reserves and unspent bond proceeds	-	276,447	276,447
Capital assets, not being depreciated	1,134,986	174,754	1,309,740
Other capital assets, net of accumulated depreciation	18,946,225	26,315,224	45,261,449
<b>Total assets</b>	<b>24,425,790</b>	<b>26,954,967</b>	<b>51,380,757</b>
Deferred outflows of resources - Pension/OPEB deferrals	186,027	44,662	230,689
<b>Total assets and deferred outflows of resources</b>	<b>\$ 24,611,817</b>	<b>26,999,629</b>	<b>51,611,446</b>
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>			
Accounts payable	99,247	38,542	137,789
Accrued payroll and related liabilities	66,270	22,151	88,421
Customer deposits	-	7,541	7,541
Accrued interest payable	13,866	43,471	57,337
Noncurrent liabilities:			
Due within one year:			
Accrued leave	-	12,852	12,852
Bonds	-	185,000	185,000
Loans	79,735	-	79,735
Due in more than one year:			
Accrued leave	128,231	-	128,231
Bonds	-	3,877,803	3,877,803
Loans	1,250,417	-	1,250,417
Landfill closure	1,400,000	-	1,400,000
Unamortized bond premium	-	161,604	161,604
Net pension/OPEB liabilities	1,682,671	604,921	2,287,592
<b>Total liabilities</b>	<b>4,720,437</b>	<b>4,953,885</b>	<b>9,674,322</b>
Deferred inflows of resources - Pension/OPEB deferrals	152,146	68,649	220,795
Net position:			
Net investment in capital assets	18,751,059	22,265,571	41,016,630
Unrestricted	988,175	(288,476)	699,699
<b>Total net position</b>	<b>19,739,234</b>	<b>21,977,095</b>	<b>41,716,329</b>
<b>Total liabilities, deferred inflows of resources     and net position</b>	<b>\$ 24,611,817</b>	<b>26,999,629</b>	<b>51,611,446</b>

See accompanying notes to basic financial statements.

## CITY OF KING COVE, ALASKA

## Statement of Activities

Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 773,319	69,734	644,321	-	(59,264)	-	(59,264)
Public safety	643,095	-	56,632	-	(586,463)	-	(586,463)
Public works	1,152,013	-	15,392	268,737	(867,884)	-	(867,884)
Community services	234,660	-	23	-	(234,637)	-	(234,637)
Water and sewer	603,654	473,800	4,562	3,178	(122,114)	-	(122,114)
Solid waste	354,342	115,404	3,722	-	(235,216)	-	(235,216)
Total governmental activities	3,761,083	658,938	724,652	271,915	(2,105,578)	-	(2,105,578)
<b>Business-type activities:</b>							
Electric utility	1,220,225	1,138,384	9,140	51,060	-	(21,641)	(21,641)
Harbor and port	929,697	369,693	17,073	-	-	(542,931)	(542,931)
City fuel	301,850	302,592	-	-	-	742	742
Total business type activities	2,451,772	1,810,669	26,213	51,060	-	(563,830)	(563,830)
Total	\$ 6,212,855	2,469,607	750,865	322,975	(2,105,578)	(563,830)	(2,669,408)
General revenues:							
Taxes					2,061,253	-	2,061,253
Grants and entitlements not restricted to a specific purpose					653,328	-	653,328
Other					8,266	-	8,266
Transfers					(130,345)	130,345	-
Transfer of Internal Service Fund					(531,921)	531,921	-
Change in net position					(44,997)	98,436	53,439
Net position, at beginning of year, as periously stated					19,954,939	21,992,865	41,947,804
Prior period adjustment					99,000	-	99,000
Cumulative effect of a change in accounting principle					(269,708)	(114,206)	(383,914)
Net position, at beginning of year, as restated					19,784,231	21,878,659	41,662,890
Net position, end of year					\$ 19,739,234	21,977,095	41,716,329

See accompanying notes to basic financial statements.

## CITY OF KING COVE, ALASKA

## Balance Sheet - Governmental Funds

Year Ended June 30, 2018

	Major Funds				Total Governmental Funds
	General	Water and Sewer Special Revenue	General Capital Project Fund	Nonmajor Funds	
<u>Assets</u>					
Cash and cash equivalents	\$ 3,037,563	-	-	457,296	3,494,859
Receivables:					
Accounts	169,465	54,387	21,115	50,576	295,543
Sales taxes	233,686	-	-	-	233,686
Other	5,446	-	-	-	5,446
Due from other funds	341,991	-	98,940	1,151,595	1,592,526
Advances to other funds	196,909	-	-	-	196,909
Investment in Southwest Governments, LLC	118,136	-	-	-	118,136
<b>Total assets</b>	<b>\$ 4,103,196</b>	<b>54,387</b>	<b>120,055</b>	<b>1,659,467</b>	<b>5,937,105</b>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	44,815	1,810	17,823	34,799	99,247
Accrued payroll and related liabilities	57,659	4,133	-	4,478	66,270
Due to other funds	1,250,535	321,802	-	20,189	1,592,526
<b>Total liabilities</b>	<b>1,353,009</b>	<b>327,745</b>	<b>17,823</b>	<b>59,466</b>	<b>1,758,043</b>
Fund balances:					
Nonspendable	315,045	-	-	-	315,045
Committed	-	-	-	1,385,635	1,385,635
Assigned	-	-	102,232	234,555	336,787
Unassigned	2,435,142	(273,358)	-	(20,189)	2,141,595
<b>Total fund balances</b>	<b>2,750,187</b>	<b>(273,358)</b>	<b>102,232</b>	<b>1,600,001</b>	<b>4,179,062</b>
<b>Total liabilities and     fund balances</b>	<b>\$ 4,103,196</b>	<b>54,387</b>	<b>120,055</b>	<b>1,659,467</b>	<b>5,937,105</b>

See accompanying notes to basic financial statements.

## CITY OF KING COVE, ALASKA

Reconciliation of Governmental Funds Balance Sheet  
to Statement of Net Position

June 30, 2018

Total fund balances for governmental funds	\$	4,179,062
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
These assets, net of accumulated depreciation are:		
Land	420,390	
Construction in progress	714,596	
Buildings	4,837,050	
Improvements other than buildings	21,712,923	
Equipment	2,027,814	
Accumulated depreciation	(9,631,562)	
Total capital assets, net of depreciation		20,081,211
Long-term liabilities, including loans payable and accrued leave are not due and payable in the current period and, therefore, are not reported as fund liabilities:		
Loans payable	(1,330,152)	
Landfill closure costs payable	(1,400,000)	
Accrued interest payable	(13,866)	
Accrued leave	(128,231)	
Total long term liabilities		(2,872,249)
Pension and OPEB related assets in the current fiscal year are presented as deferred outflows of resources		186,027
Pension and OPEB related liabilities in the current fiscal year are presented as deferred inflows of resources		(152,146)
Proportionate share of the collective net pension liability		(1,682,671)
Total net position of governmental activities	\$	<u>19,739,234</u>

See accompanying notes to basic financial statements.

## CITY OF KING COVE, ALASKA

## Governmental Funds

## Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2018

	Major Funds				Total Governmental Funds
	General	Water and Sewer Special Revenue	General Capital Projects Fund	Nonmajor Funds	
Revenues:					
Taxes	\$ 2,061,253	-	-	-	2,061,253
Intergovernmental:					
Aleutians East Borough	631,856	-	-	-	631,856
Federal sources	103,326	-	-	34,756	138,082
State sources	673,566	2,015	172,826	1,644	850,051
Charges for services	69,734	473,800	-	115,404	658,938
Other	2,745	-	-	5,521	8,266
Total revenues	<u>3,542,480</u>	<u>475,815</u>	<u>172,826</u>	<u>157,325</u>	<u>4,348,446</u>
Expenditures:					
Current:					
General government	669,862	-	-	-	669,862
Public safety	625,032	-	-	21,080	646,112
Public works	457,411	-	888,992	117,761	1,464,164
Community services	159,689	-	-	-	159,689
Water and sewer	-	330,848	16,654	141,210	488,712
Solid waste	-	-	-	155,502	155,502
Capital Outlay	-	-	-	54,945	54,945
Other	232,638	-	-	-	232,638
Debt service:					
Principal	-	43,412	-	46,823	90,235
Interest	-	48,432	-	6,698	55,130
Total expenditures	<u>2,144,632</u>	<u>422,692</u>	<u>905,646</u>	<u>544,019</u>	<u>4,016,989</u>
Excess (deficiency) of revenues over expenditures	1,397,848	53,123	(732,820)	(386,694)	331,457
Other financing sources (uses):					
Proceeds from debt issuance	-	-	-	200,000	200,000
Transfers in	60,000	20,000	350,000	460,000	890,000
Transfers out	(865,400)	(50,000)	-	(50,000)	(965,400)
Net other financing sources (uses)	<u>(805,400)</u>	<u>(30,000)</u>	<u>350,000</u>	<u>610,000</u>	<u>124,600</u>
Net change in fund balances	592,448	23,123	(382,820)	223,306	456,057
Beginning fund balances, as restated	<u>2,157,739</u>	<u>(296,481)</u>	<u>485,052</u>	<u>1,376,695</u>	<u>3,723,005</u>
Ending fund balances	<u>\$ 2,750,187</u>	<u>(273,358)</u>	<u>102,232</u>	<u>1,600,001</u>	<u>4,179,062</u>

See accompanying notes to basic financial statements.

## CITY OF KING COVE, ALASKA

Reconciliation of Change in Fund Balances of Governmental Funds  
to Statement of Activities

Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$	456,057
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Government funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives.		
Capital outlay	1,223,291	
Depreciation expense	<u>(816,327)</u>	406,964
Transfer of capital assets purchased by governmental funds to business activities.		(54,945)
Transfer of City's Internal Service Fund Net Position to Enterprise Funds		(531,921)
The issuance of long-term deb provides current financial resources to governmental funds, while the repayment of of the principal of the long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position This is the amount of principal paid on long-term debt.		
Proceeds from issuance of debt		(200,000)
Principal repayments		90,235
The governmental fund statements do not reflect the increase in long-term liabilities that are not to be paid with current financial resources. This is the amount of increase in the landfill closure liability.		
		(359,026)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in:		
Accrued interest payable		448
Accrued leave		4,617
Proportionate share of the collective net pension and OPEB liabilities		242,388
Changes in deferred outflows and inflows of resources are the result of timing differences in the actuarial report and adjustments to reflect employer and non-employer contributions based on the measurement date of the liability.		
		<u>(99,814)</u>
Change in net position of governmental activities	\$	<u><u>(44,997)</u></u>

See accompanying notes to basic financial statements.

## CITY OF KING COVE, ALASKA

## General Fund

Statement of Revenues, Expenditures and  
Changes in Fund Balance - Original and Final Budget and Actual

Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 1,900,000	2,025,000	2,061,253	36,253
Intergovernmental:				
Aleutians East Borough	550,000	715,000	631,856	(83,144)
Federal sources	85,000	98,000	103,326	5,326
State sources	680,555	683,328	673,566	(9,762)
Charges for services	38,000	74,250	69,734	(4,516)
Other	-	-	2,745	2,745
Total revenues	<u>3,253,555</u>	<u>3,595,578</u>	<u>3,542,480</u>	<u>(53,098)</u>
Expenditures:				
General government	733,544	676,060	669,862	6,198
Public safety	639,121	603,994	625,032	(21,038)
Public works	478,366	483,616	457,411	26,205
Community services	130,653	143,623	159,689	(16,066)
Other	187,822	159,600	232,638	(73,038)
Total expenditures	<u>2,169,506</u>	<u>2,066,893</u>	<u>2,144,632</u>	<u>(77,739)</u>
Excess of revenues over expenditures	1,084,049	1,528,685	1,397,848	(130,837)
Other financing sources (uses):				
Transfers in	60,000	60,000	60,000	-
Transfers out	<u>(930,400)</u>	<u>(865,400)</u>	<u>(865,400)</u>	<u>-</u>
Total other financing sources (uses)	<u>(870,400)</u>	<u>(805,400)</u>	<u>(805,400)</u>	<u>-</u>
Net change in fund balance	\$ <u>213,649</u>	<u>723,285</u>	592,448	<u>(130,837)</u>
Beginning fund balance, as restated			<u>2,157,739</u>	
Ending fund balance			\$ <u>2,750,187</u>	

See accompanying notes to basic financial statements.

## CITY OF KING COVE, ALASKA

## Water and Sewer Special Revenue Fund

Statement of Revenues, Expenditures and  
Changes in Fund Balance - Original and Final Budget and Actual

Year Ended June 30, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 447,100	452,100	473,800	21,700
Intergovernmental - state sources	2,500	2,500	2,015	(485)
Total revenues	<u>449,600</u>	<u>454,600</u>	<u>475,815</u>	<u>21,215</u>
Expenditures:				
Current:				
Water	242,704	245,404	248,356	(2,952)
Sewer	71,585	69,736	82,492	(12,756)
Debt service:				
Principal	33,000	33,000	43,412	(10,412)
Interest	59,000	59,000	48,432	10,568
Total expenditures	<u>406,289</u>	<u>407,140</u>	<u>422,692</u>	<u>(15,552)</u>
Excess of revenues over expenditures	43,311	47,460	53,123	5,663
Other financing sources (uses):				
Transfers in	20,000	20,000	20,000	-
Transfers out	(50,000)	(50,000)	(50,000)	-
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net change in fund balance	\$ <u>13,311</u>	<u>17,460</u>	23,123	<u>5,663</u>
Beginning fund balance			<u>(296,481)</u>	
Ending fund balance			\$ <u><u>(273,358)</u></u>	

See accompanying notes to basic financial statements.



## CITY OF KING COVE, ALASKA

## Proprietary Funds

## Statement of Net Position

June 30, 2018

Assets and Deferred Outflows of Resources	Enterprise Funds		Total Enterprise Funds	Internal Service Fund	Total Business -Type Activities
	Electric	Harbor and Port		City Fuel	
Current assets:					
Accounts receivable	\$ 65,692	72,132	137,824	-	137,824
Allowance for doubtful accounts	(2,639)	(6,940)	(9,579)	-	(9,579)
Net accounts receivable	63,053	65,192	128,245	-	128,245
Inventories	-	-	-	257,206	257,206
Total current assets	63,053	65,192	128,245	257,206	385,451
Noncurrent assets:					
Advance from other funds	2,998	-	2,998	-	2,998
Restricted cash - bond reserves	167,294	109,153	276,447	-	276,447
	170,292	109,153	279,445	-	279,445
Property, plant and equipment:					
Construction in progress	-	34,389	34,389	-	34,389
Land	140,365	-	140,365	-	140,365
Infrastructure	7,896,487	21,720,359	29,616,846	871,489	30,488,335
Improvements	723,045	-	723,045	-	723,045
Buildings	2,606,949	371,987	2,978,936	-	2,978,936
Equipment	7,109,477	940,184	8,049,661	-	8,049,661
Total property, plant and equipment	18,476,323	23,066,919	41,543,242	871,489	42,414,731
Less accumulated depreciation	(6,986,403)	(8,502,609)	(15,489,012)	(435,741)	(15,924,753)
Net property, plant and equipment	11,489,920	14,564,310	26,054,230	435,748	26,489,978
Total noncurrent assets	11,660,212	14,673,463	26,333,675	435,748	26,769,423
Deferred outflows of resources - Pension and OPEB deferrals	39,583	5,079	44,662	-	44,662
Total assets and deferred outflows of resources	\$ 11,762,848	14,743,734	26,506,582	692,954	27,199,536
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>					
Current liabilities:					
Accounts payable	\$ 31,017	7,519	38,536	6	38,542
Accrued payroll and related liabilities	8,420	13,731	22,151	-	22,151
Customer deposits	7,541	-	7,541	-	7,541
Accrued interest payable	29,012	14,459	43,471	-	43,471
Accrued leave	4,686	8,166	12,852	-	12,852
Current portion of revenue bonds	125,000	60,000	185,000	-	185,000
Total current liabilities	205,676	103,875	309,551	6	309,557
Noncurrent liabilities:					
Advance from other funds	-	39,622	39,622	160,285	199,907
Revenue bonds	3,052,803	825,000	3,877,803	-	3,877,803
Unamortized bond premium	146,850	14,754	161,604	-	161,604
Net pension and OPEB liabilities	333,817	271,104	604,921	-	604,921
Total noncurrent liabilities	3,533,470	1,150,480	4,683,950	160,285	4,844,235
Deferred inflows of resources - Pension and OPEB deferrals	32,804	35,845	68,649	-	68,649
Net position:					
Net investment in capital assets	8,165,267	13,664,556	21,829,823	435,748	22,265,571
Unrestricted	(174,369)	(211,022)	(385,391)	96,915	(288,476)
Total net position	7,990,898	13,453,534	21,444,432	532,663	21,977,095
Total liabilities, deferred inflows of resources and net position	\$ 11,762,848	14,743,734	26,506,582	692,954	27,199,536

See accompanying notes to basic financial statements.

## CITY OF KING COVE, ALASKA

## Proprietary Funds

## Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2018

	Enterprise Funds			Internal Service Fund	
	Electric	Harbor and Port	Total Enterprise Funds	City Fuel	Total Business-Type Activities
Operating revenues - charges for services	\$ 1,138,384	369,693	1,508,077	302,592	1,810,669
Operating expenses:					
Salaries and benefits	210,477	266,251	476,728	13,656	490,384
Other purchased services and supplies	393,786	129,719	523,505	244,620	768,125
Depreciation	456,683	488,411	945,094	43,574	988,668
Total operating expenses	1,060,946	884,381	1,945,327	301,850	2,247,177
Income (loss) from operations	77,438	(514,688)	(437,250)	742	(436,508)
Nonoperating revenues (expenses):					
Interest expense	(83,959)	(44,616)	(128,575)	-	(128,575)
Grant revenue	51,060	-	51,060	-	51,060
Bond issuance costs	(24,228)	(700)	(24,928)	-	(24,928)
Senior power subsidy	(51,092)	-	(51,092)	-	(51,092)
Interest rate subsidy	-	3,303	3,303	-	3,303
State PERS relief	9,140	13,770	22,910	-	22,910
Net nonoperating revenues (expenses)	(99,079)	(28,243)	(127,322)	-	(127,322)
Income (loss) before transfers	(21,641)	(542,931)	(564,572)	742	(563,830)
Other financing sources (uses):					
Transfers in	-	240,345	240,345	-	240,345
Transfers out	(90,000)	(20,000)	(110,000)	-	(110,000)
Total other financing sources (uses)	(90,000)	220,345	130,345	-	130,345
Change in net position	(111,641)	(322,586)	(434,227)	742	(433,485)
Net position, beginning of year, as previously stated	8,148,099	13,844,766	21,992,865	531,921	22,524,786
Cumulative effect of a change in accounting principle	(45,560)	(68,646)	(114,206)	-	(114,206)
Net position, at beginning of year, as restated	8,102,539	13,776,120	21,878,659	531,921	22,410,580
Net position, end of year	\$ 7,990,898	13,453,534	21,444,432	532,663	21,977,095

See accompanying notes to basic financial statements.

## CITY OF KING COVE, ALASKA

## Proprietary Funds

## Statement of Cash Flows

Year Ended June 30, 2018

	Enterprise Funds			Internal Service Fund	
	Electric	Harbor and Port	Total Enterprise Funds	City Fuel	Total Business-Type Activities
Cash flows from operating activities:					
Receipts from customers and users	\$ 1,133,933	405,988	1,539,921	302,592	1,842,513
Payments to suppliers	(366,026)	(123,753)	(489,779)	(404,980)	(894,759)
Payments to employees	(231,200)	(288,777)	(519,977)	(13,765)	(533,742)
Net cash flows provided (used) by operating activities	536,707	(6,542)	530,165	(116,153)	414,012
Cash flows from noncapital financing activities:					
Senior power subsidy	(51,092)	-	(51,092)	-	(51,092)
Increase (decrease) in advance from other funds	(1,264,919)	(27,292)	(1,292,211)	116,153	(1,176,058)
Interest rate subsidy	-	3,303	3,303	-	3,303
Transfers in	-	185,400	185,400	-	185,400
Transfers out	(90,000)	(20,000)	(110,000)	-	(110,000)
Net cash flows provided (used) by noncapital financing activities	(1,406,011)	141,411	(1,264,600)	116,153	(1,148,447)
Cash flows from capital and related financing activities:					
Bond issuance costs	(24,228)	(700)	(24,928)	-	(24,928)
Purchase of capital assets	(420,056)	(26,442)	(446,498)	-	(446,498)
Capital contributions received	101,514	-	101,514	-	101,514
Proceeds from issuance of debt	1,422,803	-	1,422,803	-	1,422,803
Principal payments on long-term debt	(120,000)	(60,000)	(180,000)	-	(180,000)
Interest payments on long-term debt	(89,638)	(47,152)	(136,790)	-	(136,790)
Net cash flows (used) by capital and related financing activities	870,395	(134,294)	736,101	-	736,101
Net increase in cash and cash equivalents	1,091	575	1,666	-	1,666
Beginning cash and cash equivalents	166,203	108,578	274,781	-	274,781
Ending cash and cash equivalents	\$ 167,294	109,153	276,447	-	276,447
Reconciliation of loss from operations to net cash provided (used) by operating activities:					
Income (loss) from operations	\$ 77,438	(514,688)	(437,250)	742	(436,508)
Adjustments to reconcile loss from operations to net cash flows from operating activities:					
Depreciation	456,683	488,411	945,094	43,574	988,668
Pension expense (benefit)	(14,944)	(22,519)	(37,463)	-	(37,463)
Bad debt expense	-	16,822	16,822	-	16,822
(Increase) decrease in assets:					
Accounts receivable (net)	(5,804)	19,473	13,669	-	13,669
Inventories	-	-	-	(160,366)	(160,366)
Prepaid expenses	15,000	-	15,000	-	15,000
Increase (decrease) in liabilities:					
Accounts payable	12,760	5,966	18,726	6	18,732
Accrued payroll and related liabilities	(2,239)	1,124	(1,115)	(109)	(1,224)
Customer deposits	1,353	-	1,353	-	1,353
Accrued leave	(3,540)	(1,131)	(4,671)	-	(4,671)
Net cash flows provided (used) by operating activities	\$ 536,707	(6,542)	530,165	(116,153)	414,012

See accompanying notes to basic financial statements.

# CITY OF KING COVE, ALASKA

## Notes to the Basic Financial Statements

Year Ended June 30, 2018

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The City of King Cove was incorporated in 1949 under the laws of the State of Alaska as a first-class City. The City operates under a council-administrator form of government and provides a full range of services to its citizens including public safety, streets, health and social services, electric, water and sewer, boat harbor, community projects, and general administration.

The financial statements included in this report are for the City of King Cove only. There are no component units for which the City of King Cove is financially accountable, nor do any special financial relationships exist between the City and any other entity.

The accounting policies of the City of King Cove conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. In general, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## CITY OF KING COVE, ALASKA

### Notes to the Basic Financial Statements, Continued

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensate absences are recorded only to the extent they have matured.

Sales and business impact taxes, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when received by the government.

The City reports the following major funds:

##### Major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

The *Water and Sewer Special Revenue Fund* accounts for the operation of the water and sewer system.

*General Capital Projects Fund* accounts for funds used to finance general capital activities of the City.

##### Major proprietary funds:

The *Electric Enterprise Fund* is used to account for the operations of the electric utility.

The *Harbor and Port Enterprise Fund* is used to account for the operations of the harbor and port.

The *City Fuel Sales Internal Service Fund* is used to account for fuel purchases and sales which is predominately sold to the other proprietary funds.

## CITY OF KING COVE, ALASKA

### Notes to the Basic Financial Statements, Continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are allocated administration fees and charges between the enterprise funds and the various other funds and departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. In addition, general revenues include all taxes, investment income, and State entitlement revenues.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **D. Central Treasury**

A central treasury is used to account for cash from all funds of the City to maximize interest income.

#### **E. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the proprietary funds consider all cash accounts to be cash and cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

#### **F. Inventories**

Inventories are valued at cost (first-in, first-out). The cost is recorded as an expenditure or expense at the time individual inventory items are consumed.

#### **G. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

# **CITY OF KING COVE, ALASKA**

## **Notes to the Basic Financial Statements, Continued**

### **H. Grants and Other Intergovernmental Revenues**

In applying the measurable and available concepts to grants and intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts are considered “earned”; therefore, revenues are recognized based upon expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the measurable and available criteria are met.

### **I. Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

### **J. Compensated Absences**

The City allows employees to accumulate earned but unused vacation and sick leave benefits. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured (e.g. the employee has terminated employment).

### **K. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. As a phase 3 government for GASB Statement 34 purposes, the City records additions to infrastructure capital assets (e.g. roads and streets) prospectively from the GASB Statement 34 implementation date, which was June 30, 2004. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

## CITY OF KING COVE, ALASKA

### Notes to the Basic Financial Statements, Continued

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

Buildings	20-50 years
Improvements other than buildings	20-50 years
Service Lines	20 years
Machinery and equipment	3-20 years

#### **L. Long-Term Debt**

In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or business-type activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

#### **M. Fund Balances**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of the resources.

*Nonspendable fund balance* classification includes amounts that cannot be spent because they are either (a) not in spendable form- prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

*Restricted fund balance* classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance* amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council—the City's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned fund balance* classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance* is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.



# **CITY OF KING COVE, ALASKA**

## **Notes to the Basic Financial Statements, Continued**

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

### **N. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Any encumbrances outstanding at year end are reported as appropriate constraints of fund balances if they meet the definitions and criteria as outlined above.

### **O. Unearned Grant Revenue**

Amounts received from grantor agencies, which are restricted as to use and have not been expended for the intended use are shown as unearned revenue.

### **P. Deferred Inflows/Outflows of Resources**

The City follows the provisions of GASB Statement number 63, where applicable. Deferred outflows of resources represent the consumption of the government's net position or fund balance that is applicable to a future reporting period. Deferred inflow of resources represents the acquisition of net position or fund balance that is applicable to a future reporting period. Revenues that have been earned but are not yet available in the governmental funds are now reported as deferred inflows.

### **Q. Pensions and OPEB**

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB plans, and pension and OPEB expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

### **R. Fair Value of Financial Instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) receivables, net, (3) certain other current assets, (4) accounts payable, and (5) other current liabilities. The carrying amounts reported in the balance sheet and Statement of Net Position for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities, except for the City's investments. The carrying amount of the City's investments are determined based on quoted market prices.

## **CITY OF KING COVE, ALASKA**

### **Notes to the Basic Financial Statements, Continued**

The carrying amount of notes receivable and notes payable approximates fair value for those financial instruments with interest at variable rates, as those rates approximate current market rates for notes with similar maturities and credit quality.

#### **S. Comparative Data**

Comparative data for the prior year have been presented in some of the accompanying financial statements in order to provide an understanding of changes in the City's financial operations.

#### **T. Net Position**

Government-wide net position is divided into three components:

- Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position – consists of assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **A. Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to May 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The City Administrator is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of any fund or department within a fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Appropriations for these funds lapse at year end to the extent they have not been expended or encumbered.
6. Budgets for governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

## CITY OF KING COVE, ALASKA

### Notes to the Basic Financial Statements, Continued

#### B. Deficits

The following funds had deficit positions in fund balance as of June 30, 2018:

Special Revenue Funds:	
Water and Sewer	\$ (273,358)
Capital Project Fund	
Haul out Pad	(20,189)

In addition the following proprietary funds had deficit equity in the unrestricted category:

Electric Enterprise Fund	\$ (174,369)
Harbor and Port Enterprise Fund	(211,022)

#### III. CASH AND CASH EQUIVALENTS

Except for the Permanent Fund, all cash is maintained in a central treasury and is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet as "cash and cash equivalents" or in the case of "negative cash," is included in "due to other funds" or "advances to other funds." All of the City's cash is held in the form of demand accounts including checking, savings, short-term certificates of deposit, and overnight repurchase agreements held by commercial banks. "Pooled investments" are entirely comprised of money-market cash equivalents.

##### *Investment policy*

The investment policy authorizes the City to invest in certificates of deposit, U.S. Treasury securities, government bonds and notes, money markets, mutual funds, and an investment pool authorized by Alaska Statutes. Investments are carried at fair value.

##### *Interest rate risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value changes in market interest rates.

##### *Credit risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool which is rated AAA for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the Pool. The law sets forth numerous requirements regarding authorized investments and reporting. The share value of investments in the AMLIP is approximately equal to fair value. To obtain a copy of AMLIP's financial statements contact Key Trust of Alaska at 101 West Benson Blvd., Room 302, Anchorage, Alaska 99503.

##### *Custodial credit risk*

Custodial credit risk is that in the event of a bank failure, the City's deposits may not be returned to it. To limit credit risk, City policy requires that all deposits be insured or covered by collateralization agreements.

# CITY OF KING COVE, ALASKA

## Notes to the Basic Financial Statements, Continued

### IV. INVESTMENT IN SOUTHWEST GOVERNMENTS, LLC

The City purchased a 10 percent ownership in Southwest Governments, LLC, an investment company formed to buy an office building in Anchorage, Alaska. The office building was purchased in May 2002 and is currently rented to outside parties, including the group that owns Southwest Governments, LLC. The City's investment in Southwest Governments, LLC, is recorded on the cost method.

### V. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

#### Governmental Activities

	Governmental Activities				
	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 420,390	-	-	-	420,390
Construction in progress	482,195	776,410	(523,820)	(20,189)	714,596
Total	902,585	776,410	(523,820)	(20,189)	1,134,986
Capital assets being depreciated:					
Buildings	4,303,181	533,869	-	-	4,837,050
Infrastructure and improvements	22,584,412	-	-	(871,489)	21,712,923
Equipment	1,625,738	436,832	-	(34,756)	2,027,814
Total	28,513,331	970,701	-	(906,245)	28,577,787
Less accumulated depreciation:					
Buildings	2,145,707	143,160	-	-	2,288,867
Infrastructure and improvements	6,042,046	580,040	-	(392,167)	6,229,919
Equipment	1,019,649	93,127	-	-	1,112,776
Total	9,207,402	816,327	-	(392,167)	9,631,562
Total assets being depreciated, net	19,305,929	154,374	-	(514,078)	18,946,225
Total governmental-type activities, net	\$ 20,208,514	930,784	(523,820)	(534,267)	20,081,211

During 2018 \$871,489 of infrastructure and improvements, \$54,945 of equipment and \$392,167 of accumulated depreciation were transferred from governmental activities to business-type activities in the City fuel internal service fund.

# CITY OF KING COVE, ALASKA

## Notes to the Basic Financial Statements, Continued

### **Business-Type Activities**

	Business Activities				
	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 48,372	91,993	-	-	140,365
Construction in progress	6,130,981	319,036	(6,435,817)	20,189	34,389
Total	<u>6,179,353</u>	<u>411,029</u>	<u>(6,435,817)</u>	<u>20,189</u>	<u>174,754</u>
Capital assets being depreciated:					
Buildings	2,575,481	403,455	-	-	2,978,936
Infrastructure and improvements	26,398,786	3,941,105	-	871,489	31,211,380
Equipment	5,888,180	2,126,725	-	34,756	8,049,661
Total	<u>34,862,447</u>	<u>6,471,285</u>	<u>-</u>	<u>906,245</u>	<u>42,239,977</u>
Less accumulated depreciation:					
Buildings	1,377,087	76,779	-	-	1,453,866
Infrastructure and improvements	9,940,461	660,356	-	392,167	10,992,984
Equipment	3,226,370	251,533	-	-	3,477,903
Total	<u>14,543,918</u>	<u>988,668</u>	<u>-</u>	<u>392,167</u>	<u>15,924,753</u>
Total assets being depreciated, net	<u>20,318,529</u>	<u>5,482,617</u>	<u>-</u>	<u>514,078</u>	<u>26,315,224</u>
Total business-type activities, net	\$ <u>26,497,882</u>	<u>5,893,646</u>	<u>(6,435,817)</u>	<u>534,267</u>	<u>26,489,978</u>

Ending balances include \$871,489 of infrastructure and improvements, \$54,945 of equipment and \$392,167 accumulated depreciation that were transferred from the governmental activities to the City fuel internal service fund.

Depreciation expense for 2018 was charged to functions of the City as follows:

Governmental activities:

Administration	\$ 5,458
Public safety	33,962
Public works	439,314
Community services	75,020
Water and sewer	227,823
Solid waste	34,750
Total	<u>\$ 816,327</u>

Business-type activities:

Electric	456,683
Harbor and Port	488,411
City Fuel Internal Service Fund	43,574
Total business-type activities	<u>\$ 988,668</u>

# CITY OF KING COVE, ALASKA

## Notes to the Basic Financial Statements, Continued

### VI. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

A schedule of interfund balances, advances and transfers for the year ended June 30, 2018, follows:

Advances to other funds -

These are longer term and repayment terms have not been established.

Advance from General Fund to:

City Fuel Internal Service Fund	\$ 160,285
Harbor and Port Enterprise Fund	<u>39,622</u>
Total advances to other funds	<u>\$ 199,907</u>

Advance from Electric Enterprise Fund to:

General Fund	<u>\$ 2,998</u>
--------------	-----------------

Interfund receivables and payables are shown as "Due from other funds" and "Due to other funds" in each of the individual funds. The composition of interfund balance as of June 30, 2018, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Special Revenue Fund	\$ 321,802
General Fund	Nonmajor Funds	20,189
General Capital Project Fund	General Fund	98,940
Nonmajor Funds	General Fund	<u>1,151,595</u>
		<u>\$ 1,592,526</u>

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Transfers in						
Transfers out	General Fund	Water and Sewer Special Revenue Fund	General Capital Projects	Nonmajor Funds	Harbor and Port Enterprise Funds	Total
General Fund	\$ -	20,000	350,000	310,000	185,400	865,400
Electric Enterprise Fund	60,000	-	-	30,000	-	90,000
Harbor and Port Enterprise Funds	-	-	-	20,000	-	20,000
Water and Sewer Special Revenue Funds	-	-	-	50,000	-	50,000
Nonmajor Funds	-	-	-	50,000	-	50,000
	<u>\$ 60,000</u>	<u>20,000</u>	<u>350,000</u>	<u>460,000</u>	<u>185,400</u>	<u>1,075,400</u>

Transfers were made to fund operations and capital projects.

# CITY OF KING COVE, ALASKA

## Notes to the Basic Financial Statements, Continued

### VII. LONG – TERM DEBT

	Balance July 1, 2017	Additions	Retired	Balance June 30, 2018	Due Within One Year
<b>Governmental Activities</b>					
\$1,375,000 USDA water project loan, due in semi-annual installments of \$37,300 including interest through March 2040; interest at 4.5%	\$ 1,042,320	-	28,412	1,013,908	29,705
\$300,000 Delta Creek water project loan, due in annual installments of \$15,000 plus interest through January 2027 interest at 1.5%	150,000	-	15,000	135,000	15,000
Wells Fargo Bank loan due in monthly installments of \$1,810 including interest through November 2018; Interest at 11.25%	28,067	-	19,546	8,521	8,521
Wells Fargo Bank Equipment Capital Lease due in quarterly installments of \$7,950 including interest through June 2024; Interest at 3.25%	-	200,000	27,277	172,723	26,509
Landfill closure costs	1,040,974	359,026	-	1,400,000	-
Accrued leave	132,848	92,544	97,161	128,231	-
Total governmental activities	\$ 2,394,209	651,570	187,396	2,858,383	79,735

# CITY OF KING COVE, ALASKA

## Notes to the Basic Financial Statements, Continued

	Balance July 1, 2017	Additions	Retired	Balance June 30, 2018	Due Within One Year
<b>Business-type Activities</b>					
\$1,235,000 Electric revenue bond, due in annual installments of \$110,000 to \$175,000 through 2039; Interest at 3.00% to 5.00%	\$ 895,000	-	120,000	775,000	125,000
\$980,000 Electric revenue bond, due in semi-annual installments of \$1,500 to \$76,500 through 2041; Interest at 4.00% to 5.25%	980,000	-	-	980,000	-
\$1,422,803 Electric revenue bond, interest due in semi-annual installments until 10/2020, then quarterly payments until 2041; Interest at 4.34%	-	1,422,803	-	1,422,803	-
\$745,000 Harbor revenue bond, due in annual installments of \$30,000 to \$50,000 through 2030; Interest at 3.50% to 5.43%	570,000	-	35,000	535,000	35,000
\$400,000 Harbor revenue bond, due in annual installments of \$20,000 to \$35,000 through 2022; interest at 3.751% to 6.04%	375,000	-	25,000	350,000	25,000
Unamortized bond premium	182,361	-	20,757	161,604	-
Accrued leave	17,523	23,282	27,953	12,852	12,852
<b>Total business-type activities</b>	<b>\$ 3,019,884</b>	<b>1,446,085</b>	<b>228,710</b>	<b>4,237,259</b>	<b>197,852</b>

In June 2014, the City issued revenue bonds to early retire \$834,889 in outstanding 1995 electric revenue bonds and to fund the Waterfall Creek hydroelectric project. The face value of the bonds was \$1,235,000 with a premium \$117,739. Interest varies from 3.0% to 5.0% until they are repaid in 2039.



# CITY OF KING COVE, ALASKA

## Notes to the Basic Financial Statements, Continued

The annual requirements to pay all general long-term debt outstanding (exclusive of accrued leave and landfill closure costs) as of June 30, 2018 are as follows:

### Governmental Activities:

Year Ended June 30,	Water Loans			Wells Fargo Notes	Total
	Principal	Interest	Total	Principal	Principal
2019	44,705	46,920	91,625	35,030	79,735
2020	46,056	45,344	91,400	27,381	73,437
2021	47,470	43,705	91,175	28,282	75,752
2022	48,947	42,003	90,950	29,212	78,159
2023	50,492	40,233	90,725	30,173	80,665
2024-2028	263,207	172,043	435,250	31,166	294,373
2029-2033	253,847	119,153	373,000	-	253,847
2034-2038	317,104	55,896	373,000	-	317,104
2039-2040	77,080	2,281	79,361	-	77,080
	<u>\$ 1,148,908</u>	<u>567,578</u>	<u>1,716,486</u>	<u>181,244</u>	<u>1,330,152</u>

### Business-type activities

Year Ended June 30,	Electric Revenue Bonds			
	Principal	Interest	Federal Subsidy	Total
2019	\$ 125,000	143,357	(7,717)	260,640
2020	135,000	139,306	(7,717)	266,589
2021	52,977	131,722	(7,718)	176,981
2022	66,310	128,781	(7,368)	187,723
2023	67,080	125,562	(7,018)	185,624
2024-2028	381,754	576,328	(29,750)	928,332
2029-2033	485,259	477,116	(20,440)	941,935
2034-2038	599,237	353,695	(9,940)	942,992
2039-2043	435,198	428,046	(560)	862,684
2044-2048	229,754	157,514	-	387,268
2049-2053	285,238	102,031	-	387,269
2054-2058	314,996	33,496	-	348,492
	<u>\$ 3,177,803</u>	<u>2,796,954</u>	<u>(98,228)</u>	<u>5,876,529</u>

# CITY OF KING COVE, ALASKA

## Notes to the Basic Financial Statements, Continued

Year Ended June 30,	Harbor Revenue Bonds			
	Principal	Interest	Federal Subsidy	Total
2019	\$ 60,000	44,678	(17,370)	87,308
2020	60,000	42,220	(16,969)	85,251
2021	60,000	39,569	(16,170)	83,399
2022	65,000	36,514	(14,916)	86,598
2023	65,000	33,930	(13,815)	85,115
2024-2028	365,000	123,177	(49,756)	438,421
2029-2032	210,000	23,906	(9,535)	224,371
	<u>\$ 885,000</u>	<u>343,994</u>	<u>(138,531)</u>	<u>1,090,463</u>

The harbor revenue bonds and electric revenue bonds were issued pursuant to Economic Recovery Zone legislation as part of the American Recovery and Reinvestment Act. Terms of the legislation allow for the Internal Revenue Service to rebate a portion of interest paid. The rebate is subject to annual appropriation by Congress. The rebate is recorded as revenue only upon receipt in these financial statements.

### VIII. MUNICIPAL LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, generally accepted accounting principles require that the City report a portion of these closure and post-closure care costs each period based on landfill capacity used as of each balance sheet date.

Landfill closure costs payable represents a cumulative amount based on a past study was used to determine estimated future closure and post closure care costs the will be incurred on the date the landfill no longer accepts waste. The recognition of these landfill closure and post closure care costs is based on the amount of the landfill used during the year. The estimated liability of landfill closure and post closure care costs is \$1,400,000 as of June 30, 2018, which is based on 38.7% usage (filled) of the landfill. The final closure costs may vary significantly from the above estimate.

At June 30, 2018, the City has not reserved or designated any fund balance to fund the cost of closure and post closure monitoring, nor have any assets been restricted for this purpose. The state does not have financial assurance requirements for closure and post closure costs of Class III landfills, as such, no test of financial assurance has been completed.

# CITY OF KING COVE, ALASKA

## Notes to the Basic Financial Statements, Continued

### IX. FUND BALANCES

Fund balances reported in the City's individual major funds and nonmajor funds in the aggregate on the governmental funds balance sheet is subject to the following constraints:

	General	Water and Sewer Special Revenue	General Capital Projects	Nonmajor Funds	Totals
Nonspendable:					
Long-term advances	\$ 196,909	-	-	-	196,909
Investment in Southwest Governments, LLC	118,136	-	-	-	118,136
Total nonspendable	315,045	-	-	-	315,045
Committed – Permanent Fund	-	-	-	1,385,635	1,385,635
Assigned:					
Solid Waste	-	-	-	234,555	234,555
General capital projects	-	-	102,232	-	102,232
Total assigned	-	-	102,232	234,555	336,787
Unassigned	2,435,142	(273,358)	-	(20,189)	2,141,595
Total fund balances	\$ 2,750,187	(273,358)	102,232	1,600,001	4,179,062

### X. EMPLOYEE RETIREMENT SYSTEMS AND PLANS

The City follows *Governmental Accounting Standards Board (GASB) Codification P20, Accounting for Pensions by State and Local Governmental Employees* and *GASB Codification P50, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*. *GASB Codification P20* and *GASB Codification P50* establish uniform standards for the measurement, recognition and display of pension and other post-employment benefits other than pensions (healthcare) expenditures/expense and related liabilities, assets, note disclosure and applicable required supplementary information in the financial reports of state and local governmental employers.

All full-time employees and certain permanent part-time employees of the City participate in either the State of Alaska Public Employees' Retirement System (PERS). In addition to the pension plan both systems also administer other post-employment benefit (OPEB) plans.

The system is governed by the Alaska Retirement Management Board. The benefit and contribution provisions are established by State law and may be amended only by the State legislature. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee.

# CITY OF KING COVE, ALASKA

## Notes to the Basic Financial Statements, Continued

*Summary of Significant Accounting Policies.* The financial statements for PERS and TRS are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value.

PERS and TRS act as the common investment and administrative agencies for the following multiple-employer plans:

Plan Name	Type of Plan
Defined Benefit Pension Plan (DB)	Cost-sharing, Defined Benefit Pension
Defined Contribution Pension Plan (DC)	Defined Contribution Pension
Defined Benefit Other Postemployment Benefits (OPEB)	
Healthcare Reimbursement Arrangement Plan	Defined Benefit OPEB
Defined Contribution Other Postemployment Benefits (DC)	
Occupational Death and Disability Plan	Cost-sharing, Defined Contribution OPEB
Alaska Retiree Healthcare Trust Plan	Cost-sharing, Defined Contribution OPEB
Retiree Medical Plan	Cost-sharing, Defined Contribution OPEB

### Other Postemployment Benefit Plans (OPEB)

#### *Occupational Death and Disability Plan (ODD)*

The Occupational Death and Disability Plan provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System. Membership in the plan consisted of the following at June 30, 2017 (latest available report):

Membership	PERS
Active plan members	19,442
Participating employers	155

#### *Alaska Retiree Healthcare Trust Plan (ARHCT)*

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust Plan (ARHCT), a Healthcare Trust Fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the System. The System retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund (RHF). Membership in the plan consisted of the following at June 30, 2017 (latest report available):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	34,310
Inactive plan members entitled to but not yet receiving benefits	5,799
Active plan members	14,956
Total plan membership	55,065

## CITY OF KING COVE, ALASKA

### Notes to the Basic Financial Statements, Continued

#### *Retiree Medical Plan (RMP)*

The retiree medical plan provides major medical coverage to retirees of the DC plan. The plan is self-insured. Members are not eligible to use this plan until they have at least 10 years of service and are Medicare age eligible. Membership in the plan consists of the following at June 30, 2017 (latest available report):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	5
Inactive plan members entitled to but not yet receiving benefits	831
Inactive plan members not entitled to benefits	10,466
Active plan members	19,442
Total plan membership	30,744

#### *Healthcare Reimbursement Arrangement Plan*

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants. Membership in the plan consists of the following at June 30, 2017 (latest available report):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	7
Inactive plan members entitled to but not yet receiving benefits	829
Inactive plan members not entitled to benefits	10,466
Active plan members	19,442
Total plan membership	30,744

#### **Investments**

The Board is the investment oversight authority of the system's investments. As the fiduciary, the Board has the statutory authority to invest the assets under the Prudent Investor Rule. Fiduciary responsibility for the Board's invested assets is pursuant to AS 37.10.210.390.

Treasury provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the Board. Additionally, Treasury manages a mix of Pooled Investment Funds and Collective Investment Funds for the DC Participant-directed Pension plans under the Board's fiduciary responsibility.

#### **Rate of Return**

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual weighted rate of return, net of investment expense for the year ended June 30, 2017 (latest available report) for the DB Plan for PERS and TRS is 12.99% and 13.04%, for the ARHCT is 12.69% and 12.58%, for the Occupational Death and Disability Plan is 11.97% and 12.03%, and for the Retiree Medical Plan is 11.93% and 11.80%, respectively.

## CITY OF KING COVE, ALASKA

### Notes to the Basic Financial Statements, Continued

For additional information on securities lending, interest rates, credit risks, foreign exchange, derivatives, fair value, and counterparty credit risks, see the separately issued report on the Invested Assets of the State of Alaska Retirement and Benefits Plans at:

<http://treasury.dor.alaska.gov/armb/Reports-and-Policies/Annual-Audited-Financial-Schedules.aspx>.

#### **Alaska Public Employee Retirement System (PERS) – Defined Benefit Plan (DB)**

*Plan Description.* The City participates in the Alaska Public Employees' Retirement System (PERS), a cost sharing multiple employer defined benefit pension plan. PERS provides retirement benefits, disability and death benefits, and post-employment healthcare to plan members and beneficiaries. The Plan was established and is administered by the State of Alaska, Department of Administration. The Public Employee's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. This report may be obtained from the system at Pouch C, Juneau, Alaska 99811 or online at <http://doa.alaska.gov/drpb/pers>.

*Pension Benefits.* All tier employee benefits vest with five years of credited service. There are three tiers of employees based on entry date. Tier I employees enrolled prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For tier II and III employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. All tier employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

The PERS defined benefit is closed to new hires enrolled on or after July 1, 2006. New hires after this date participate in the PERS defined contribution plan (DC) described later in these notes.

Currently there are 155 employers participating in PERS, including the State of Alaska and 154 political subdivisions and public organizations.

The DB Plan's membership consisted of the following at June 30, 2017 (latest available report):

Inactive plan members or beneficiaries currently receiving benefits	34,310
Inactive plan members entitled to but not receiving benefits	5,799
Active plan members	<u>14,956</u>
Total DB plan membership	<u>55,065</u>

Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Police/Fire members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25 per month for each year of service when the calculated benefit is less.

## CITY OF KING COVE, ALASKA

### Notes to the Basic Financial Statements, Continued

The percentage multipliers for police/fire personnel are 2% for the first ten years of service and 2.5% for all service over 10 years. The percentage multipliers for all other participants are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2%.

Post-employment healthcare benefits are provided without cost to all members first enrolled before July 1, 1986. Members first enrolled after June 30, 1986, but before July 1, 2006 and who have not reached age 60 may elect to pay for major medical benefits.

*Post Retirement Pension Adjustments.* Post retirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, times:

- (a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least 65 or on PERS disability; or
- (b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least 60, or has been receiving benefits for at least five years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who first entered the PERS before July 1, 1986, if the CPI increases and the financial condition of the fund will permit an increase. In a year where an ad hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

*Funding Policy.* In April 2008 the Alaska Legislature passed legislation which statutorily capped the employer contribution, established a state funded "on-behalf" contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan (DC) described later in these footnotes. The state legislature capped the rate at 22%, with the State contributing an on-behalf payment for the difference between the actuarial contribution and the cap.

*Salary Floor.* During the 25<sup>th</sup> legislation session, Senate Bill 125 passed, which established a June 30, 2008 salary floor under AS 39.35.255(a)(2). The salary floor is the total base salaries paid by an employer to active employees of the system as of the fiscal year ending June 30, 2008. The statute requires the Division of Retirement and Benefits (Division) to collect employer contributions at a minimum based on FY 2008 base salaries.

*Termination Costs.* If the City decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City function, all affected employees in that department, group or other classification of members become immediately vested in the plan. The City must pay to have a termination study completed. The purpose of the study is to calculate the City's one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2018 the past service rate is 15.28%.

## CITY OF KING COVE, ALASKA

### Notes to the Basic Financial Statements, Continued

**Employee Contribution Rate.** The City PERS active members are required to contribute 6.75% (5.25% pension costs and 1.50% OPEB) and if elected, non-teacher City employees are required to contribute 9.60% (7.47% pension and 2.13% OPEB) of their annual covered salary.

**Employer and Other Contribution Rates.** There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

**Employer Effective Rate:** This is the actual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% (17.12% pension costs and 4.88% OPEB) of eligible wages, subject to the salary floor, and other termination costs as described above. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined benefit plan.

**ARM Board Adopted Rate:** This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. This rate is 25.01% (19.46% pension and 5.55% OPEB). Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

**On-behalf Contribution Rate:** This is the rate paid in by the State as an on-behalf payment as mandated under current statute. Under state law, subject to annual appropriation, the state will contribute an on-behalf payment into the plan in an amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. As a result, the On-behalf Contribution Rate for 2018 is 3.01% (75.54% pension and 24.46% OPEB). On-behalf contribution amounts have been recognized in these financial statements as both revenue and expenditures.

**GASB Rate:** This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes. Certain actuarial methods and assumptions for this rate calculation are mandated by the *Governmental Accounting Standards Board* (GASB). Medicare Part D subsidies are not reflected in this rate. The rate uses an 8% pension discount rate.

Employer contributions for the year ended June 30, 2018, were:

	Pensions (DB)	Other Post-Employment Benefits (DB)	Total
\$	133,360	38,014	171,374



# CITY OF KING COVE, ALASKA

## Notes to the Basic Financial Statements, Continued

### Public Employees Retirement Plans

For the year ended June 30, 2018 the State of Alaska contributed \$20,238 (75.54% pension cost and 24.46% OPEB cost) on-behalf of the City, which has been recorded in the fund financial statements under the modified-accrual basis of accounting. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date June 30, 2017 to a total of \$77,009, to represent the pension/OPEB expense attributable to the State under the full accrual basis of accounting.

*Pension and OPEB Liabilities, Pension and OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and OPEB:* At June 30, 2018, the City reported liabilities that reflected a reduction for State pension and OPEB support provided to the City. The amount recognized by the City as its proportionate share of net pension and OPEB liabilities, the related State support, and the total portion of the net pension and OPEB liabilities that was associated with the City were as follows:

Defined Benefit:			Pension
City's proportionate share of the net pension liability	\$	1,969,320	
State's proportionate share of the net pension liability		731,325	
Total	\$	<u>2,700,645</u>	
			OPEB
City's proportionate share of the ARHCT OPEB liability	\$	322,294	
State's proportionate share of the ARHCT OPEB liability		120,689	
Total	\$	<u>442,983</u>	
Defined Contribution:			
City's proportionate share of the ODD OPEB liability	\$	(6,359)	
City's proportionate share of the RMP OPEB liability		2,337	
Total	\$	<u>(4,022)</u>	
Total City's share of net pension and OPEB liabilities	\$	<u>2,287,592</u>	

The net pension and OPEB liabilities were measured as of June 30, 2017, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities were determined by an actuarial valuation as of that date. The City's proportion of the net pension and OPEB liabilities were based on the present value of contributions for FY2019 through FY2039, as determined by projections based on the June 30, 2017 valuation. At June 30, 2018, the City's proportion of the pension liability was 0.0381%, which is a decrease of 0.001% from June 30, 2017. At June 30, 2018, the City's proportion of the OPEB ARCHT, ODD and RMP OPEB liabilities were 0.0382%, 0.0448%, and 0.0448%, respectively, which represent an increase of 0.0001%, 0.00003%, and 0.00003%, respectively, from June 30, 2017.

# CITY OF KING COVE, ALASKA

## Notes to the Basic Financial Statements, Continued

Based on the measurement date of June 30, 2017, the City recognized pension and OPEB expense of \$(36,201) and \$77,009 for the year ended June 30, 2018. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Defined Benefit:		
Differences between expected and actual experience	\$ -	35,406
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	52,824	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	61,545
City contributions subsequent to the measurement date	133,360	-
Total	\$ <u>186,184</u>	<u>96,951</u>

  

	OPEB ARHCT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	17,380
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	100,929
Changes in proportion and differences between City contributions and proportionate share of contributions	-	3,796
City contributions subsequent to the measurement date	38,014	-
Total	\$ <u>38,014</u>	<u>122,105</u>

# CITY OF KING COVE, ALASKA

## Notes to the Basic Financial Statements, Continued

		OPEB ODD	
		Deferred Outflows of Resources	Deferred Inflows of Resources
Defined Contribution:			
Differences between expected and actual experience		\$ -	188
Changes of assumptions		-	-
Net difference between projected and actual earnings on OPEB plan investments		-	397
Changes in proportion and differences between City contributions and proportionate share of contributions		58	-
City contributions subsequent to the measurement date		1,123	-
Total		<u>\$ 1,181</u>	<u>585</u>

  

		OPEB RMP	
		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ -	18
Changes of assumptions		-	-
Net difference between projected and actual earnings on OPEB plan investments		-	1,136
Changes in proportion and differences between City contributions and proportionate share of contributions		2	-
City contributions subsequent to the measurement date		5,308	-
Total		<u>\$ 5,310</u>	<u>1,154</u>

\$133,360 and \$44,445 are reported as deferred outflows of resources related to pension and OPEB resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension and OPEB liabilities in the year ended June 30, 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension and OPEB will be recognized in pension and OPEB expense as follows:

Year Ended June 30,	Pension	OPEB ARHCT	OPEB ODD	OPEB RMP
2018	\$ (93,266)	(36,997)	(115)	(286)
2019	55,006	(34,644)	(115)	(286)
2020	24,693	(25,232)	(115)	(286)
2021	(30,560)	(25,232)	(115)	(286)
2022	-	-	(17)	(2)
Thereafter	-	-	(50)	(6)
Total	<u>\$ (44,127)</u>	<u>(122,105)</u>	<u>(527)</u>	<u>(1,152)</u>

## CITY OF KING COVE, ALASKA

### Notes to the Basic Financial Statements, Continued

For the year ended June 30, 2018, the City recognized \$(246,948) and \$(2,102) of pension and OPEB amortization of the net deferred outflows and inflows of resources, respectively.

*Actuarial Assumptions:* The total pension and OPEB liabilities in the June 30, 2017 (latest available) actuarial valuation was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. These assumptions were the result of an experience study performed as of June 30, 2013.

Investment return / discount rate	8% per year (geometric), compounded annually, net of expenses
Salary scale	Inflation – 3.12% per year Productivity – 0.50% per year
Payroll growth	3.62% per year (inflation + productivity)
Total inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers from Anchorage is assumed to increase 3.12% annually.
Mortality (Pre-termination)	Based upon 2010-2013 actual mortality experience, 60% of male rates and 65% of female rates of post termination mortality rates. Deaths are assumed to be occupational 70% of the time for peace officers, and firefighters, 50% of the time for others.
Mortality (Post-termination)	96% of all rates of the RP-2000 combined mortality table, 2000 base year projected to 2018.
Total turnover	Based upon the 2010-2013 actual withdrawal experience.
Disability	Incidence rates based on 2010-2013 actual experience. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 70% of the time for peace officers / firefighters, 50% of the time for others.
Retirement	Retirement rates based upon the 2010-2013 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date for others. For peace officers/firefighters, Tier 1 deferred vested members are assumed to retire at age 55 and Tiers 2 and 3 deferred vested members are assumed to retire at age 60.

## CITY OF KING COVE, ALASKA

### Notes to the Basic Financial Statements, Continued

Marriage and age difference	Wives are assumed to be three years younger than husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% female members are assumed to be married.
Healthcare cost trend rates	Pre-65 medical: 8.8% grading down to 4.4% Post-65 Medical: 5.8% grading down to 4.0% Prescription drugs: 5.4% grading down to 4.0%

The long-term expected rate of return on pension and OPEB plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized below:

<b><u>Asset Class</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
Domestic Equity	8.83%
Global Ex- U.S. Equity	7.79%
Intermediate Treasuries	1.29%
Opportunistic	4.76%
Real Assets	4.94%
Absolute Return	4.76%
Private Equity	12.02%
Cash Equivalents	0.63%

*Discount Rate:* The discount rate used to measure the total pension and OPEB liabilities is 8.00%. The projection of the cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension and OPEB plans fiduciary net pension and OPEB were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments were applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

# CITY OF KING COVE, ALASKA

## Notes to the Basic Financial Statements, Continued

*Sensitivity of the Net Pension and OPEB Liabilities to Changes in the Discount Rate:* The following presents the net pension liability of the plan calculated using the discount rate of 8%, as well as what the Plans' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

		<b>1% Decrease (7%)</b>	<b>Current Rate (8%)</b>	<b>1% Increase (9%)</b>
Net pension liability	\$	2,586,884	1,969,320	1,447,812
Net OPEB ARHCT liability	\$	689,743	322,294	13,219
Net OPEB ODD liability	\$	(5,740)	(6,359)	(6,864)
Net OPEB RMP liability	\$	10,948	2,337	(4,387)

*Sensitivity of the City's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.* The following present the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
Net OPEB ARHCT liability	\$	(35,751)	322,294	752,751
Net OPEB ODD liability		N/A	(6,359)	N/A
Net OPEB RMP liability		(5,785)	2,337	13,219

## XI. Alaska Public Employee Retirement System (PERS) – Defined Contribution Plan (DC)

*Plan Description and Funding Requirements.* City's and Public Employers in the State of Alaska have a defined contribution retirement plan (PERS Tier IV) for new hires first enrolled on or after July 1, 2006. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee. Plan members make mandatory contributions of 8% of gross eligible compensation. This amount goes directly to the individual's account. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute to OPEB (DB): 1.03% for the retiree medical plan (DB), 0.16% for occupational and death and disability benefits (DB) and 3% of employers' average annual employee compensation to the health reimbursement arrangement (HRA DC). The effective employer contribution is 22%.

Currently there are 155 employers participating in the defined contribution plan, including the State of Alaska. At June 30, 2017 (latest available report), membership in the DC plan consisted of 1,735 peace officers and firefighters and 19,532 of other members.

Plan members are 100% vested with their contributions.

# **CITY OF KING COVE, ALASKA**

## **Notes to the Basic Financial Statements, Continued**

Members become vested in employers' contributions as follows:

- 2 years of service – 25%
- 3 years of service – 50%
- 4 years of service – 75%
- 5 years of service – 100%

The City contributed \$55,616 for the year ended June 30, 2018.

### **XII. DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The provisions of the Plan require that all assets and income of the Plan be held in trust for the exclusive benefit of participants and their beneficiaries.

### **XIII. PERMANENT FUND**

City Code 5.05.225 established a capital reserve account (Permanent Fund). It is the City's intent in establishing this fund that it be used to purchase new equipment, replace existing equipment, or make major repairs to existing equipment or facilities so the City has adequate capital facilities and equipment to provide the public services it delivers. In addition, the fund can be used for the public safety and welfare of residents of the City if emergency needs exist.

### **XIV. RISK MANAGEMENT**

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs. The City participates in the Alaska Municipal League Joint Insurance Association (AML/JIA), which provides insurance coverage for property and contents damage, torts, general and automobile liability, and worker's compensation. The AML/JIA is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based on each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. The Association made no supplemental assessments during the year ended June 30, 2018. Coverage limits and the deductibles on the policies have stayed relatively constant for the last several years. Claims incurred have not exceeded coverage limits for the last three years.

# **CITY OF KING COVE, ALASKA**

## **Notes to the Basic Financial Statements, Continued**

### **XV. CONTINGENT LIABILITIES**

The City participates in a number of State and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

### **XVI. RELATED PARTIES**

During 2018, the City paid \$102,222 for contract services provided by a contractor related to the board members.

### **XVIII. ECONOMIC DEPENDENCY**

The City of King Cove received approximately 43% of its total revenues for the year ended June 30, 2018 from Peter Pan Seafoods, Inc. in the form of Sales and Business Impact taxes and utility revenues. A significant reduction in these revenues would have a substantial impact on the City.

### **XIX. SUBSEQUENT EVENTS**

The city received notice on August 23, 2018, from the State of Alaska, Department of Administration, Division of Retirement and Benefits that Forfeitures from the defined contribution plan for the Public Employees' Retirement System (PERS) can be offset against future contributions effective July 1, 2018. The City has \$2,071 in PERS forfeitures to be used towards future contributions.

Management has evaluated events through May 6, 2019, the date, which the financial statements are available for issue.

### **XX. Change in Accounting Principle and Prior Period Adjustment**

As discussed in Note X to the financial statements, the City participates in the Alaska Public Employees' Retirement System (PERS). In 2018, the City adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which, among other accounting and reporting criteria, requires the City to recognize its proportional share of the net other postemployment benefit (OPEB) plans liability (and related deferred inflow/outflow accounts), as of the beginning of the City's fiscal year. As a result of the implementation of these statements, the City has recorded an opening balance adjustment to increase liabilities and to decrease opening net position.



## CITY OF KING COVE, ALASKA

### Notes to the Basic Financial Statements, Continued

During audit of revenues it was noted that revenue was overstated by \$99,000 as a result of an understatement of Aleutians East Borough accounts receivable and revenue in the prior year report. This balance has been restated for comparative purposes in the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual, and as an adjustment to beginning net position in the Governmental Activities as noted below.

#### **Governmental Activities:**

Opening net position, as originally presented	\$ 19,954,939
Prior period adjustment – General Fund	99,000
Change in accounting principle adjustment	(269,708)
Opening net position, as restated	<u>\$ 19,784,231</u>

#### **Business-type Activities:**

Opening net position, as originally presented	\$ 21,992,865
Change in accounting principle adjustment	(114,206)
Opening net position, as restated	<u>\$ 21,878,659</u>

## **XXI. NEW ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates covering several topics as follows:

- GASB 83 – *Certain Retirement Obligations*. Effective for fiscal years beginning after June 15, 2018.
- GASB 84 – *Fiduciary Activities*. Effective for fiscal years beginning after December 15, 2018.
- GASB 87 – *Leases*. Effective for fiscal years beginning after December 15, 2019.
- GASB 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Effective for fiscal years beginning after June 15, 2018.

Statements 83 and 84 are not expected to have any significant impact on the financial statements of the City.

GASB Statement No. 87, the objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

## **CITY OF KING COVE, ALASKA**

### **Notes to the Basic Financial Statements, Continued**

GASB Statement No. 88, the objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct payments. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt and requires enhanced footnote disclosures.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## CITY OF KING COVE, ALASKA

## Schedule of the City's Proportionate Share of the Net Pension Liability

## Public Employees' Retirement System (PERS)

June 30, 2018

Year	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0252%	\$ 1,176,986	\$ 1,058,396	\$ 2,235,382	\$ 1,113,532	106%	62.37%
2016	0.0497%	\$ 2,411,806	\$ 646,386	\$ 3,058,192	\$ 1,585,208	152%	63.96%
2017	0.0391%	\$ 2,185,988	\$ 278,734	\$ 2,464,722	\$ 1,484,352	147%	59.55%
2018	0.0381%	\$ 1,969,320	\$ 731,325	\$ 2,700,645	\$ 1,226,761	161%	63.37%

**Notes to Schedule:**

1. Information presented for 2018 is based upon Plan measurement date June 30, 2017.
2. Measurement is one year prior to fiscal year end for all years presented.
3. In fiscal year 2017 the City implemented GASB 82, which required a retroactive change in covered payroll.
4. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

## CITY OF KING COVE, ALASKA

## Schedule of the City's Proportionate Share of the Net OPEB Liability

## Public Employees' Retirement System (PERS)

June 30, 2018

Year	City's Proportion of the Net OPEB Liability (Asset)	City's Proportionate Share of the Net OPEB Liability (Asset)	State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	Total Net OPEB Liability (Asset)	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
<b>Alaska Retiree Healthcare Trust Plan (ARHCT):</b>							
2018	0.0382%	\$ 322,294	\$ 120,689	\$ 442,983	\$ 1,226,761	26.27%	89.68%
<b>Occupational Death and Disability (ODD):</b>							
2018	0.0448%	\$ (6,359)	\$ -	\$ (6,359)	\$ 428,027	-1.49%	212.97%
<b>Retiree Medical Plan (RMP):</b>							
2018	0.0448%	\$ 2,337	\$ -	\$ 2,337	\$ 428,027	0.55%	93.98%

**Notes to Schedule:**

1. Information presented for 2018 is based upon Plan measurement date June 30, 2017.
2. Measurement is one year prior to fiscal year end for all years presented.
3. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

CITY OF KING COVE, ALASKA  
Schedule of the City's Contributions (Pensions)  
Public Employees' Retirement System (PERS)

June 30, 2018

Year	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 168,025	\$ (168,025)	\$ -	\$ 1,585,208	10.60%
2016	\$ 139,468	\$ (139,468)	\$ -	\$ 1,484,352	9.40%
2017	\$ 118,000	\$ (118,000)	\$ -	\$ 1,226,761	9.62%
2018	\$ 133,360	\$ (133,360)	\$ -	\$ 1,031,773	12.93%

Notes to schedule

1. Valuation date: June 30, 2017, which was rolled forward to June 30, 2018.

2. Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

3. Actuarial cost method: Entry Age Normal - level percentage of payroll.

4. Amortization method: Level dollar, closed.

5. Amortization period: 25 years, as a level of percentage of payroll.

6. Equivalent single amortization period: 17 years.

7. Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.

8. Inflation: 3.12% per annum.

9. Salary increases: Ranges from 9.66% to 4.92% based on service for Peace Officer/Firefighter. Ranges from 8.55% to 4.34% based on age and service for All Others.

10. Investment rate of return: 8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.

11. Retirement age: An age-related assumption is used for participants not yet receiving payments.

12. Mortality: Pre-termination mortality rates were based upon the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officers / Firefighters, 50% of the time for Others, 96% of all rates of the RP - 2000 Table Base Year projected to 2018 with projected scale BB.

13. In fiscal year 2017 the City implemented GASB 82, which required a retroactive change in covered payroll.

14. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

15. In fiscal year 2018 the City included pension DBUL into the contractually required contribution. This will be a prospective change.

## CITY OF KING COVE, ALASKA

## Schedule of the City's Contributions (OPEB)

## Public Employees' Retirement System (PERS)

June 30, 2018

Year	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b>Alaska Retiree Healthcare Trust Plan (ARHCT):</b>					
2018	\$ 38,014	\$ (38,014)	\$ -	\$ 1,031,773	3.68%
<b>Occupational Death and Disability (ODD):</b>					
2018	\$ 1,123	\$ (1,123)	\$ -	\$ 512,473	0.22%
<b>Retiree Medical Plan (RMP):</b>					
2018	\$ 5,308	\$ (5,308)	\$ -	\$ 512,473	1.04%

Notes to schedule

- Valuation date: June 30, 2017, which was rolled forward to June 30, 2018.
- Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

## Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry Age Normal - level percentage of payroll.
- Amortization method: Level dollar, closed.
- Amortization period: 25 years, as a level of percentage of payroll.
- Equivalent single amortization period: 17 years.
- Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.
- Inflation: 3.12% per annum.
- Salary increases: Ranges from 9.66% to 4.92% based on service for Peace Officer/Firefighter. Ranges from 8.55% to 4.34% based on age and service for All Others.
- Investment rate of return: 8%, net of OPEB plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Mortality: Pre-termination mortality rates were based upon the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officers / Firefighters, 50% of the time for Others, 96% of all rates of the RP - 2000 Table Base Year projected to 2018 with projected scale BB.
- This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

## **ADDITIONAL SUPPLEMENTARY INFORMATION**



## CITY OF KING COVE, ALASKA

## General Fund

## Balance Sheet

June 30, 2018

(With Comparative Amounts for 2017)

<u>Assets</u>	<u>2018</u>	<u>2017</u> <u>(Restated)</u>
Cash and cash equivalents	\$ 3,037,563	957,986
Receivables:		
Accounts	169,465	594,059
Sales taxes	233,686	298,201
Other	5,446	2,955
Due from other funds	341,991	401,943
Advances to other funds	196,909	1,372,967
Investment in Southwest Governments, LLC	118,136	118,136
 Total assets	 \$ 4,103,196	 3,746,247
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	44,815	27,753
Accrued payroll and related liabilities	57,659	87,614
Due to other funds	1,250,535	1,473,141
Total liabilities	1,353,009	1,588,508
 Fund balances		
Nonspendable:		
Advances to other funds	196,909	1,372,967
Investment in Southwest Governments, LLC	118,136	118,136
Unassigned	2,435,142	666,636
Total fund balance	2,750,187	2,157,739
 Total liabilities and fund balance	 \$ 4,103,196	 3,746,247

## CITY OF KING COVE, ALASKA

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and ActualYear Ended June 30, 2018  
With Comparative Amounts for 2017

	2018			2017 (Restated)
	Budget	Actual	Variance	Actual
Revenues:				
Taxes:				
Sales tax	\$ 1,925,000	1,951,253	26,253	1,747,055
Business impact tax	100,000	110,000	10,000	100,000
Total taxes	<u>2,025,000</u>	<u>2,061,253</u>	<u>36,253</u>	<u>1,847,055</u>
Intergovernmental:				
Aleutians East Borough -				
KCAP reimbursement	715,000	631,856	(83,144)	588,536
Federal sources:				
IRR Roads	60,000	64,333	4,333	64,605
COPS Hiring Program	38,000	38,993	993	9,864
State of Alaska:				
Shared fisheries business tax	499,257	499,257	-	386,374
State PERS relief	30,000	20,238	(9,762)	25,691
State revenue sharing	97,867	97,867	-	88,220
State liquor license	2,500	2,500	-	1,500
Extraterritorial fish tax	53,704	53,704	-	37,127
State of Alaska PCE	-	-	-	2,516
Total intergovernmental	<u>1,496,328</u>	<u>1,408,748</u>	<u>(87,580)</u>	<u>1,204,433</u>
Charges for services:				
Public safety revenue	2,250	1,050	(1,200)	1,042
Co-op and teen center revenue	-	20,812	20,812	24,857
Recreational programs	45,000	14,474	(30,526)	21,367
Other rental revenue	27,000	33,398	6,398	29,594
Total charges for services	<u>74,250</u>	<u>69,734</u>	<u>(4,516)</u>	<u>76,860</u>
Other revenues - miscellaneous	-	2,745	2,745	12,095
Total revenues	<u>3,595,578</u>	<u>3,542,480</u>	<u>(53,098)</u>	<u>3,140,443</u>

(continued)

## CITY OF KING COVE, ALASKA

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

	2018			2017 (Restated)
	Budget	Actual	Variance	Actual
Expenditures:				
General government				
City Council:				
Salaries	\$ 7,200	7,200	-	7,200
Stipends	-	-	-	250
Employee benefits	67,355	75,107	(7,752)	54,960
Travel and per diem	3,000	2,857	143	2,946
Due and fees	1,850	1,437	413	1,810
Total city council	79,405	86,601	(7,196)	67,166
Planning:				
Salaries	25,012	26,466	(1,454)	18,173
Stipends	200	200	-	200
Employee benefits	5,572	4,244	1,328	1,120
Insurance	1,368	-	1,368	-
Deferred compensation	750	617	133	300
Total planning	32,902	31,527	1,375	19,793
Administration:				
Salaries	115,000	101,640	13,360	109,598
Employee benefits	57,500	48,287	9,213	62,960
Travel and per diem	5,500	6,748	(1,248)	1,607
Telephone	7,500	7,974	(474)	7,004
Postage	7,500	4,253	3,247	5,425
Supplies	11,000	12,633	(1,633)	13,141
Dues and fees	1,000	1,705	(705)	675
Insurance	3,200	3,321	(121)	3,111
Utilities - diesel	3,000	2,912	88	2,362
Utilities - electric	2,000	1,925	75	1,984
Miscellaneous	-	991	(991)	-
Deferred compensation	3,000	3,542	(542)	3,000
Total administration	216,200	195,931	20,269	210,867

(continued)

## CITY OF KING COVE, ALASKA

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

	2018			2017 (Restated)
	Budget	Actual	Variance	Actual
Expenditures, continued:				
General government, continued:				
Anchorage office:				
Salaries	\$ 156,000	170,552	(14,552)	161,822
Employee benefits	34,000	33,984	16	45,434
Contractual	65,000	59,407	5,593	54,400
Travel and per diem	45,000	52,121	(7,121)	37,937
Telephone	5,500	6,639	(1,139)	4,598
Postage	100	91	9	145
Supplies	6,500	5,659	841	7,260
Rent	18,500	18,310	190	18,275
Dues and fees	6,000	4,496	1,504	8,670
Insurance	4,103	-	4,103	-
Miscellaneous	2,500	625	1,875	2,365
Deferred compensation	4,350	3,919	431	6,945
Total Anchorage office	347,553	355,803	(8,250)	347,851
Total general government	676,060	669,862	6,198	645,677
Public safety:				
Salaries	250,000	259,717	(9,717)	244,883
Employee benefits	122,000	112,591	9,409	120,695
Stipends	10,000	8,250	1,750	8,950
Contractual	101,846	110,972	(9,126)	98,880
Travel and per diem	10,000	7,219	2,781	17,333
Telephone	26,000	23,467	2,533	21,293
Postage	1,500	1,033	467	2,274
Supplies	17,500	17,203	297	19,106
Insurance	27,352	44,828	(17,476)	46,052
Utilities - diesel	4,500	4,754	(254)	3,935
Utilities - electric	6,500	6,909	(409)	6,873
Fuel	11,500	13,566	(2,066)	15,297
Miscellaneous	-	3,252	(3,252)	2,712
Animal control	6,296	896	5,400	6,920
Deferred compensation	9,000	10,375	(1,375)	7,875
Total public safety	603,994	625,032	(21,038)	623,078

(continued)

## CITY OF KING COVE, ALASKA

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

	2018			2017 (Restated)
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public works:				
Salaries	\$ 239,204	240,356	(1,152)	231,531
Employee benefits	112,091	89,537	22,554	97,400
Contractual	-	-	-	4,248
Travel and per diem	5,000	3,317	1,683	2,705
Telephone	7,000	7,278	(278)	6,027
Postage	-	-	-	46
Supplies	27,500	29,136	(1,636)	22,503
Insurance	28,721	20,366	8,355	20,278
Utilities - diesel	8,000	7,298	702	6,069
Utilities - electric	36,000	34,899	1,101	33,813
Fuel - gas	6,000	8,837	(2,837)	9,423
Fuel - diesel	12,000	14,287	(2,287)	9,040
Deferred compensation	2,100	2,100	-	2,100
Total public works	<u>483,616</u>	<u>457,411</u>	<u>26,205</u>	<u>445,183</u>
Community services:				
Recreational programs:				
Salaries	53,800	57,613	(3,813)	52,960
Employee benefits	5,500	5,110	390	5,190
Telephone	4,750	4,803	(53)	4,669
Supplies	25,000	31,236	(6,236)	26,392
Supplies - school building	-	-	-	1,608
Bank fees	-	40	(40)	-
Insurance	9,573	9,211	362	8,687
Utilities - diesel	23,000	24,365	(1,365)	16,655
Utilities - electric	20,000	20,909	(909)	22,368
Fuel	2,000	6,402	(4,402)	5,872
Total community services	<u>143,623</u>	<u>159,689</u>	<u>(16,066)</u>	<u>144,401</u>

(continued)

## CITY OF KING COVE, ALASKA

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual, continued

	2018			2017 (Restated)
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Other:				
Audit and accounting assistance	\$ 56,000	55,369	631	58,066
Contractual	-	1,784	(1,784)	-
Legal	16,000	16,547	(547)	22,237
Elections	600	600	-	600
Senior citizen power subsidy	50,000	51,092	(1,092)	52,444
Bank fees	9,000	8,962	38	13,634
Technical support	9,000	10,474	(1,474)	9,757
Miscellaneous	10,000	12,814	(2,814)	-
Donations	9,000	12,270	(3,270)	10,690
Aleutia grant	-	62,726	(62,726)	132,189
Total other	<u>159,600</u>	<u>232,638</u>	<u>(73,038)</u>	<u>299,617</u>
Total expenditures	<u>2,066,893</u>	<u>2,144,632</u>	<u>(77,739)</u>	<u>2,157,956</u>
Excess of revenues over expenditures	1,528,685	1,397,848	(130,837)	982,487
Other financing sources (uses):				
Transfers in:				
Electric Enterprise Fund	60,000	60,000	-	60,000
Transfers out:				
Special Revenue Funds:				
Water and Sewer	(20,000)	(20,000)	-	(20,000)
Permanent Fund	(100,000)	(10,000)	90,000	(110,000)
Capital Project Funds:				
General Capital Projects	(350,000)	(350,000)	-	(725,000)
Vehicle and Machinery Replacement	(300,000)	(300,000)	-	(25,000)
Harbor and Port Enterprise Fund	(85,400)	(185,400)	(100,000)	(285,400)
City Fuel Internal Service Fund	-	-	-	-
Fish Defense Fund	(10,000)	-	10,000	-
Total other financing uses	<u>(805,400)</u>	<u>(805,400)</u>	<u>-</u>	<u>(1,105,400)</u>
Net change in fund balance	\$ <u>723,285</u>	592,448	<u>(130,837)</u>	(122,913)
Beginning fund balance as originally stated		2,157,739		2,181,652
Prior period adjustment		-		99,000
Beginning fund balance, as previously stated		<u>2,157,739</u>		<u>2,280,652</u>
Ending fund balance		\$ <u>2,750,187</u>		<u>2,157,739</u>

## CITY OF KING COVE, ALASKA

## Water and Sewer Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and ActualYear Ended June 30, 2018  
(With Comparative Amounts for 2017)

	2018			2017
	Budget	Actual	Variance	Actual
Revenues:				
Local - charges for services:				
Water	\$ 115,000	117,084	2,084	104,254
Water - Peter Pan Seafood	275,000	291,801	16,801	256,893
Sewer	40,000	40,844	844	41,967
Sewer - Peter Pan Seafood	22,000	24,000	2,000	24,000
Finance charges	100	71	(29)	108
Intergovernmental:				
State PERS relief	2,500	2,015	(485)	2,368
State of Alaska PCE	-	-	-	3,522
Total revenues	<u>454,600</u>	<u>475,815</u>	<u>21,215</u>	<u>433,112</u>
Expenditures:				
Water:				
Salaries	44,866	47,951	(3,085)	45,022
Employee benefits	14,085	11,418	2,667	13,132
Contractual	2,500	2,223	277	1,128
Professional services	-	196	(196)	1,713
Travel and per diem	100	90	10	2,603
Telephone	6,000	6,067	(67)	5,500
Supplies	9,500	8,709	791	11,842
Rent	3,500	3,711	(211)	2,904
Dues and fees	2,500	2,160	340	3,520
Insurance	4,103	3,733	370	5,208
Utilities - heat	7,500	8,236	(736)	6,673
Utilities - electric	145,000	147,344	(2,344)	154,675
Fuel - gas	5,000	5,708	(708)	6,137
Deferred compensation	750	810	(60)	705
Total water	<u>\$ 245,404</u>	<u>248,356</u>	<u>(2,952)</u>	<u>260,762</u>

(continued)

## CITY OF KING COVE, ALASKA

## Water and Sewer Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual, continued

	2018			2017
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Sewer:				
Salaries	\$ 38,400	39,490	(1,090)	31,953
Employee benefits	19,086	15,053	4,033	14,978
Supplies	1,500	15,457	(13,957)	6,437
Utilities - electric	9,500	9,598	(98)	7,779
Fuel - diesel	750	699	51	435
Insurance	-	1,795	(1,795)	-
Deferred compensation	500	400	100	405
Total sewer	<u>69,736</u>	<u>82,492</u>	<u>(12,756)</u>	<u>61,987</u>
Debt service:				
Principal	33,000	43,412	(10,412)	42,175
Interest	59,000	48,432	10,568	49,893
Total debt service	<u>92,000</u>	<u>91,844</u>	<u>156</u>	<u>92,068</u>
Total expenditures	<u>407,140</u>	<u>422,692</u>	<u>(15,552)</u>	<u>414,817</u>
Excess of revenues over expenditures	47,460	53,123	5,663	18,295
Other financing sources -				
Transfers out General Fund	(50,000)	(50,000)	-	-
Transfers in General Fund	20,000	20,000	-	20,000
Total other financing sources -	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>	<u>20,000</u>
Net change in fund balance	\$ <u>17,460</u>	23,123	<u>5,663</u>	38,295
Beginning fund balance		(296,481)		(334,776)
Ending fund balance		\$ <u>(273,358)</u>		<u>(296,481)</u>



## CITY OF KING COVE, ALASKA

## General Capital Project Fund

Schedule of Revenues, Expenditures and  
Changes in Fund BalanceYear Ended June 30, 2018  
With Comparative Amounts for 2017

	<u>2018</u>	<u>2017</u>
Revenues:		
Intergovernmental - State sources	\$ <u>172,826</u>	<u>88,417</u>
Expenditures:		
Public works	888,992	282,383
Water and sewer	<u>16,654</u>	<u>41,610</u>
Total expenditures	<u>905,646</u>	<u>323,993</u>
Excess (deficiency) of revenues over expenditures	(732,820)	(235,576)
Other financing sources:		
Transfers in	350,000	725,000
Transfers out	<u>-</u>	<u>(30,000)</u>
Net other financing sources (uses)	<u>350,000</u>	<u>695,000</u>
Net change in fund balance	(382,820)	459,424
Beginning fund balance	<u>485,052</u>	<u>25,628</u>
Ending fund balance	\$ <u><u>102,232</u></u>	<u><u>485,052</u></u>

## CITY OF KING COVE, ALASKA

## Electric Enterprise Fund

## Schedule of Net Position

June 30, 2018

(With Comparative Amounts for 2017)

<u>Assets and Deferred Outflows of Resources</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Accounts receivable	\$ 65,692	59,209
Allowance for doubtful accounts	(2,639)	(1,960)
Net accounts receivable	63,053	57,249
Grants receivable	-	50,454
Prepaid expense	-	15,000
Total current assets	63,053	122,703
Noncurrent assets:		
Advance from other funds	2,998	-
Restricted cash -		
Bond reserves	167,294	166,203
	170,292	166,203
Property, plant and equipment:		
Construction in progress - Waterfall Creek hydroelectric project	-	6,116,781
Land	140,365	48,372
Infrastructure	7,896,487	3,955,382
Improvements	723,045	723,045
Buildings	2,606,949	2,203,494
Equipment	7,109,477	5,009,193
Total property, plant and equipment	18,476,323	18,056,267
Less accumulated depreciation	(6,986,403)	(6,529,720)
Net property, plant and equipment	11,489,920	11,526,547
Total noncurrent assets	11,660,212	11,692,750
Deferred outflows of resources -		
Pension and OPEB deferrals	39,583	57,206
Total assets and deferred outflows of resources	\$ 11,762,848	11,872,659
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>		
Current liabilities:		
Accounts payable	31,017	18,257
Accrued payroll and related liabilities	8,420	10,659
Customer deposits	7,541	6,188
Accrued interest payable	29,012	15,068
Accrued leave	4,686	8,226
Current portion of revenue bonds	125,000	120,000
Total current liabilities	205,676	178,398
Noncurrent liabilities:		
Advance to other funds	-	1,261,921
Revenue bonds	3,052,803	1,755,000
Unamortized bond premium	146,850	166,473
Net pension and OPEB liabilities	333,817	321,759
Total noncurrent liabilities	3,533,470	3,505,153
Deferred inflows of resources -		
Pension and OPEB deferrals	32,804	41,009
Net position:		
Net investment in capital assets	8,165,267	9,485,074
Unrestricted	(174,369)	(1,336,975)
Total net position	7,990,898	8,148,099
Total liabilities, deferred inflows of resources and net position	\$ 11,762,848	11,872,659

## CITY OF KING COVE, ALASKA

## Electric Enterprise Fund

## Schedule of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2018  
(With Comparative Amounts for 2017)

	2018	2017
Operating revenues - charges for services:		
Electric	\$ 594,833	599,905
State of Alaska PCE	-	8,806
City owned electric	361,122	375,337
Harbor electric	156,719	147,861
Finance charges	239	250
Other	25,471	47,190
Total operating revenues	<u>1,138,384</u>	<u>1,179,349</u>
Operating expenses:		
Salaries	165,971	167,512
Employee benefits	44,506	117,028
Contractual	29,332	1,465
Professional services	25,397	-
Travel and training	1,546	-
Telephone	20,923	14,213
Supplies	46,157	45,773
Dues and fees	9,644	3,708
Insurance	21,688	20,532
Power plant electric	45,389	45,878
Fuel - power plant	184,079	360,218
Fuel - vehicles	6,866	8,501
Repairs and maintenance	1,492	-
Miscellaneous expense	1,273	-
Depreciation	456,683	325,553
Total operating expenses	<u>1,060,946</u>	<u>1,110,381</u>
Income from operations	77,438	68,968
Nonoperating revenues (expenses):		
Interest expense	(83,959)	(74,115)
Bond issuance costs	(24,228)	-
Grant revenue	51,060	50,454
Senior power subsidy	(51,092)	(52,444)
State PERS relief	9,140	6,173
Net nonoperating revenues (expenses)	<u>(99,079)</u>	<u>(69,932)</u>
Income (loss) before transfers	(21,641)	(964)
Other financing sources (uses):		
Transfers to General Fund	(60,000)	(60,000)
Transfers to Permanent Fund	(30,000)	(30,000)
Total other financing sources (uses)	<u>(90,000)</u>	<u>(90,000)</u>
Change in net position	(111,641)	(90,964)
Net position, beginning of year, as previously stated	<u>8,148,099</u>	<u>8,239,063</u>
Cumulative effect of a change in accounting principle	(45,560)	-
Net position, at beginning of year, as restated	<u>8,102,539</u>	<u>8,239,063</u>
Net position, ending of year	<u>\$ 7,990,898</u>	<u>8,148,099</u>

## CITY OF KING COVE, ALASKA

## Electric Enterprise Fund

## Schedule of Cash Flows

Year Ended June 30, 2018  
(With Comparative Amounts for 2017)

	2018	2017
Cash flows from operating activities:		
Receipts from customers and users	1,133,933	1,142,423
Payments to suppliers	(366,026)	(550,669)
Payments to employees	(231,200)	(235,668)
Net cash flows from operating activities	536,707	356,086
Cash flows from (used) by noncapital financing activities:		
Senior power subsidy	(51,092)	(52,444)
Increase (decrease) in advance from other funds	(1,264,919)	508,666
Transfers out	(90,000)	(90,000)
Net cash flows from (used) by noncapital financing activities	(1,406,011)	366,222
Cash flows from capital and related financing activities:		
Bond issuance costs	(24,228)	-
Purchase of capital assets	(420,056)	(1,038,776)
Capital contributions received	101,514	526,095
Proceeds from issuance of debt	1,422,803	-
Principal payments on long-term debt	(120,000)	(115,000)
Interest payments on long-term debt	(89,638)	(94,237)
Net cash flows from (used) by capital and related financing activities	870,395	(721,918)
Net increase in cash and cash equivalents	1,091	390
Beginning cash and cash equivalents	166,203	165,813
Ending cash and cash equivalents	167,294	166,203
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Income from operations	77,438	68,968
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	456,683	325,553
Pension expense (benefit)	(14,944)	47,168
(Increase) in assets:		
Net accounts receivable	(5,804)	(35,580)
Prepaid expenses	15,000	(15,000)
Increase (decrease) in liabilities:		
Accounts payable	12,760	(35,381)
Accrued payroll and related liabilities	(2,239)	492
Customer deposits	1,353	(1,346)
Accrued leave	(3,540)	1,212
Net cash flows provided by operating activities	\$ 536,707	356,086

CITY OF KING COVE, ALASKA  
Harbor and Port Enterprise Fund  
Schedule of Net Position  
June 30, 2018  
(With Comparative Amounts for 2017)

<u>Assets and Deferred Outflows of Resources</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Accounts receivable	\$ 72,132	104,626
Allowance for doubtful accounts	(6,940)	(3,139)
Net accounts receivable	<u>65,192</u>	<u>101,487</u>
Noncurrent assets:		
Restricted cash - bond reserves	<u>109,153</u>	<u>108,578</u>
Property, plant and equipment:		
Construction in progress	34,389	14,200
Infrastructure	21,720,359	21,720,359
Buildings	371,987	371,987
Equipment	940,184	878,987
Total property, plant and equipment	<u>23,066,919</u>	<u>22,985,533</u>
Less accumulated depreciation	(8,502,609)	(8,014,199)
Net property, plant and equipment	<u>14,564,310</u>	<u>14,971,334</u>
Total noncurrent assets	<u>14,673,463</u>	<u>15,079,912</u>
Deferred outflows of resources -		
Pension and OPEB deferrals	<u>5,079</u>	<u>31,632</u>
Total assets and deferred outflows of resources	<u>\$ 14,743,734</u>	<u>15,213,031</u>
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>		
Current liabilities:		
Accounts payable	7,519	1,553
Accrued payroll and related liabilities	13,731	12,607
Accrued interest payable	14,459	15,861
Accrued leave	8,166	9,297
Current portion of revenue bonds	60,000	60,000
Total current liabilities	<u>103,875</u>	<u>99,318</u>
Noncurrent liabilities:		
Advance from other funds	39,622	66,914
Revenue bonds	825,000	885,000
Unamortized bond premium	14,754	15,888
Net pension and OPEB liabilities	271,104	252,937
Total noncurrent liabilities	<u>1,150,480</u>	<u>1,220,739</u>
Deferred inflows of resources -		
Pension and OPEB deferrals	<u>35,845</u>	<u>48,208</u>
Net position:		
Net investment in capital assets	13,664,556	14,010,446
Unrestricted	(211,022)	(165,680)
Total net position	<u>13,453,534</u>	<u>13,844,766</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 14,743,734</u>	<u>15,213,031</u>

## CITY OF KING COVE, ALASKA

## Harbor and Port Enterprise Fund

## Schedule of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2018  
(With Comparative Amounts for 2017)

	2018	2017
Revenues:		
Charges for services:		
Operating revenues:		
Moorage	\$ 158,579	150,256
Pot storage	18,164	16,770
Haulout	48,541	58,200
Wharfage	53,998	60,343
Harbor electric	4,847	4,573
State ferry	6,600	9,900
Space rent	9,556	11,866
Lockers	20,582	22,097
Skiff storage	2,654	2,483
Warehouse loft usage	1,458	1,314
Forklift	38,700	40,250
Other	2,497	4,408
Finance charges	3,517	3,653
Total revenues	369,693	386,113
Operating expenses:		
Harbor:		
Salaries	187,894	180,722
Employee benefits	55,314	142,042
Contractual	2,223	2,117
Professional services	2,066	-
Travel and per diem	6,148	-
Telephone	4,455	4,116
Supplies	20,945	18,906
Utilities - heat	5,706	3,825
Utilities - electric	20,238	18,638
Advertising	-	378
Insurance	30,730	34,706
Fuel - gas	3,052	3,962
Fuel - diesel	3,819	3,689
Depreciation	488,411	478,348
Bad debt expense	16,822	-
Miscellaneous	-	205
Repairs and maintenance	13,515	11,935
Total harbor	\$ 861,338	903,589

(continued)

## CITY OF KING COVE, ALASKA

## Harbor and Port Enterprise Fund

Schedule of Revenues, Expenses and Changes in  
Net Position, continued

	2018	2017
Operating expenses, continued:		
Port:		
Salaries	\$ 15,985	13,486
Employee benefits	7,058	6,669
Total port	<u>23,043</u>	<u>20,155</u>
Total operating expenses	<u>884,381</u>	<u>923,744</u>
(Loss) from operations	(514,688)	(537,631)
Nonoperating revenues (expenses):		
Interest expense	(44,616)	(47,700)
Bond issuance costs	(700)	(700)
Loss on disposition of capital assets	-	(3,000)
Interest rate subsidy	3,303	14,090
State PERS relief	13,770	7,647
Net nonoperating revenues (expenses)	<u>(28,243)</u>	<u>(29,663)</u>
(Loss) before transfers	(542,931)	(567,294)
Other financing sources (uses):		
Transfers from (to) other funds:		
General Fund	185,400	285,400
Governmental activities	54,945	30,000
Solid Waste Collection Special Revenue Fund	(20,000)	(20,000)
Total other financing sources (uses)	<u>220,345</u>	<u>295,400</u>
Change in net position	(322,586)	(271,894)
Net position, beginning of year, as previously stated	<u>13,844,766</u>	<u>14,116,660</u>
Cumulative effect of a change in accounting principle	(68,646)	-
Net position, at beginning of year, as restated	<u>13,776,120</u>	<u>14,116,660</u>
Net position, ending of year	<u>\$ 13,453,534</u>	<u>13,844,766</u>

## CITY OF KING COVE, ALASKA

## Harbor and Port Enterprise Fund

## Schedule of Cash Flows

Year Ended June 30, 2018  
(With Comparative Amounts for 2017)

	2018	2017
Cash flows provided (used) by operating activities:		
Receipts from customers	\$ 405,988	376,282
Payments to suppliers	(123,753)	(103,120)
Payments to employees	(288,777)	(282,566)
Net cash flows provided (used) by operating activities	<u>(6,542)</u>	<u>(9,404)</u>
Cash flows provided (used) by noncapital financing activities:		
Increase (decrease) in advance from other funds	(27,292)	(133,298)
Interest rate subsidy	3,303	14,090
Transfers in	185,400	315,400
Transfers out	(20,000)	(20,000)
Net cash flows provided (used) by noncapital financing activities	<u>141,411</u>	<u>176,192</u>
Cash flows provided (used) by capital and related financing activities:		
Bond issuance costs	(700)	(700)
Purchase of capital assets	(26,442)	(61,577)
Principal payments on long-term debt	(60,000)	(55,000)
Interest payments on long-term debt	(47,152)	(49,435)
Net cash flows provided (used) by capital and related financing activities	<u>(134,294)</u>	<u>(166,712)</u>
Net increase in cash and cash equivalents	575	76
Beginning cash and cash equivalents	<u>108,578</u>	<u>108,502</u>
Ending cash and cash equivalents	\$ <u><u>109,153</u></u>	<u><u>108,578</u></u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	\$ (514,688)	(537,631)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	488,411	478,348
Pension and OPEB expense (benefit)	(22,519)	58,429
Bad debt expense	16,822	-
(Increase) decrease in assets - accounts receivable (net)	19,473	(9,831)
Increase (decrease) in liabilities:		
Accounts payable	5,966	(643)
Accrued payroll and related liabilities	1,124	283
Accrued leave	(1,131)	1,641
Net cash flows provided (used) by operating activities	\$ <u><u>(6,542)</u></u>	<u><u>(9,404)</u></u>
Noncash investing and financing activities:		
Transfer of capital assets from governmental activities	\$ <u><u>54,945</u></u>	<u><u>-</u></u>



## CITY OF KING COVE, ALASKA

## Nonmajor Governmental Funds

## Combining Balance Sheet

June 30, 2018

<u>Assets</u>	Solid Waste Collection Special Revenue Fund	Permanent Fund	Capital Project Funds			Total Nonmajor Governmental Funds
			Vehicle and Machinery Replacement	Haul out Pad	Homeland Security	
Cash and cash equivalents	\$ -	457,296	-	-	-	457,296
Accounts receivable	15,820	-	-	-	34,756	50,576
Due from other funds	41,434	928,339	181,822	-	-	1,151,595
Total assets	\$ 57,254	1,385,635	181,822	-	34,756	1,659,467
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	-	-	43	-	34,756	34,799
Accrued payroll and related liabilities	4,478	-	-	-	-	4,478
Due to other funds	-	-	-	20,189	-	20,189
Total liabilities	4,478	-	43	20,189	34,756	59,466
Fund balances:						
Comitted	-	1,385,635	-	-	-	1,385,635
Assigned:						
Solid waste collection	52,776	-	-	-	-	52,776
Harbor	-	-	181,779	-	-	181,779
Unassigned	-	-	-	(20,189)	-	(20,189)
Total fund balances	52,776	1,385,635	181,779	(20,189)	-	1,600,001
Total liabilities and fund balances	\$ 57,254	1,385,635	181,822	-	34,756	1,659,467

## CITY OF KING COVE, ALASKA

## Nonmajor Governmental Funds

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2018

	Capital Project Funds					Total Nonmajor Governmental Funds
	Solid Waste Collection Special Revenue Fund	Permanent Fund	Vehicle and Machinery Replacement	Harbor Haul Out Pad	Homeland Security	
Revenues:						
Intergovernmental - state sources	\$ 1,644	-	-	-	-	1,644
Intergovernmental - federal	-	-	-	-	34,756	34,756
Charges for services	115,404	-	-	-	-	115,404
Other	50	5,471	-	-	-	5,521
Total revenues	117,098	5,471	-	-	34,756	157,325
Expenditures:						
Public safety	-	-	21,080	-	-	21,080
Public works	-	-	117,761	-	-	117,761
Water and sewer	-	-	141,210	-	-	141,210
Solid waste	122,561	-	32,941	-	-	155,502
Capital Outlay	-	-	-	20,189	34,756	54,945
Debt service:						
Principal	-	-	46,823	-	-	46,823
Interest	-	-	6,698	-	-	6,698
Total expenditures	122,561	-	366,513	20,189	34,756	544,019
Excess (deficiency) of revenues over expenditures	(5,463)	5,471	(366,513)	(20,189)	-	(386,694)
Other financing sources:						
Proceeds from lease additons	-	-	200,000	-	-	200,000
Transfers out	(50,000)	-	-	-	-	(50,000)
Transfers in	20,000	40,000	400,000	-	-	460,000
Total other financing sources (uses)	(30,000)	40,000	600,000	-	-	610,000
Net change in fund balances	(35,463)	45,471	233,487	(20,189)	-	223,306
Beginning fund balances	88,239	1,340,164	(51,708)	-	-	1,376,695
Ending fund balances	\$ 52,776	1,385,635	181,779	(20,189)	-	1,600,001

## CITY OF KING COVE, ALASKA

## Solid Waste Collection Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and ActualYear Ended June 30, 2018  
(With Comparative Amounts for 2017)

	2018			2017
	Budget	Actual	Variance	Actual
Revenues:				
Local - charges for services:				
Collection fees	\$ 85,000	70,935	(14,065)	69,935
Collection fees - Peter Pan Seafood	55,000	44,469	(10,531)	38,909
Intergovernmental -				
State PERS relief	2,000	1,644	(356)	2,041
Other - finance charges	70	50	(20)	70
Total revenues	<u>142,070</u>	<u>117,098</u>	<u>(24,972)</u>	<u>110,955</u>
Expenditures:				
Solid waste:				
Salaries	73,351	79,827	(6,476)	71,197
Employee benefits	36,107	29,416	6,691	28,833
Supplies	5,500	4,142	1,358	1,513
Insurance	8,206	5,278	2,928	4,509
Fuel - diesel	3,600	3,037	563	2,452
Deferred compensation	500	861	(361)	390
Total expenditures	<u>127,264</u>	<u>122,561</u>	<u>4,703</u>	<u>108,894</u>
Excess (deficiency) of revenues over expenditures	14,806	(5,463)	(20,269)	2,061
Other financing sources (uses):				
Transfers in (out) other funds:				
Vehicle and Machinery Replacement Fund	(50,000)	(50,000)	-	-
Harbor and Port Enterprise Fund	20,000	20,000	-	20,000
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>	<u>20,000</u>
Net change in fund balance	\$ <u>(15,194)</u>	<u>(35,463)</u>	<u>(20,269)</u>	22,061
Beginning fund balance		<u>88,239</u>		<u>66,178</u>
Ending fund balance		\$ <u><u>52,776</u></u>		<u><u>88,239</u></u>

## CITY OF KING COVE, ALASKA

## Permanent Fund

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and ActualYear Ended June 30, 2018  
(With Comparative Amounts for 2017)

	2018			2017
	Budget	Actual	Variance	Actual
Revenues - investment income	\$ 2,000	5,471	3,471	2,254
Expenditures	-	-	-	-
Excess of revenues over expenditures	2,000	5,471	3,471	2,254
Other financing sources:				
Transfers from				
Electric Enterprise Fund	30,000	30,000	-	30,000
General Fund	10,000	10,000	-	110,000
Total other financing sources	40,000	40,000	-	140,000
Net change in fund balance	\$ 42,000	45,471	3,471	142,254
Beginning fund balance		1,340,164		1,197,910
Ending fund balance		\$ 1,385,635		1,340,164

## CITY OF KING COVE, ALASKA

## Vehicle and Machinery Replacement Capital Project Fund

Schedule of Revenues, Expenditures and Changes  
In Fund BalanceYear Ended June 30, 2018  
With Comparative Amounts for 2017

	2018	2017
Revenues	\$ -	-
Expenditures - public safety:		
Equipment	5,442	28,268
Repairs and maintenance	15,638	20,733
Total expenditures - public safety	21,080	49,001
Expenditures - public works:		
Equipment	112,709	-
Repairs and maintenance	5,052	26,251
Total expenditures - public works	117,761	26,251
Expenditures - water and sewer:		
Equipment	139,938	-
Repairs and maintenance	1,272	4,551
Total expenditures - water and sewer	141,210	4,551
Expenditures - solid waste:		
Equipment	28,394	-
Repairs and maintenance	4,547	42,651
Total expenditures - solid waste	32,941	42,651
Expenditures - debt service:		
Principal	46,823	17,475
Interest	6,698	4,244
Total expenditures - debt service	53,521	21,719
Total expenditures	366,513	144,173
Excess (deficiency) of revenues over expenditures	(366,513)	(144,173)
Other financing sources:		
Transfers in - Water and Sewer	50,000	-
Transfers in - Solid Waste	50,000	-
Transfers in - General Fund	300,000	25,000
Proceeds from lease additons	200,000	-
Total other financing sources	600,000	25,000
Net change in fund balance	233,487	(119,173)
Beginning fund balance	(51,708)	67,465
Ending fund balance	\$ 181,779	(51,708)

## CITY OF KING COVE, ALASKA

## Harbor Haulout Pad Capital Project Fund

Schedule of Revenues, Expenditures and Changes  
In Fund Balance

Year Ended June 30, 2018

	<u>2018</u>
Revenues	\$ <u>-</u>
Expenditures:	
Capital Outlay -	
Contractual	5,000
Professional services	<u>15,189</u>
Total expenditures	<u>20,189</u>
Excess of revenues over expenditures	(20,189)
Beginning fund balance	<u>-</u>
Ending fund balance	\$ <u><u>(20,189)</u></u>

## CITY OF KING COVE, ALASKA

## Homeland Security Capital Project Fund

Schedule of Revenues, Expenditures and Changes  
In Fund Balance

Year Ended June 30, 2018

	<u>2018</u>
Revenues - intergovernmental - passed through the State of Alaska - Federal sources	\$ <u>34,756</u>
Expenditures: Capital Outlay - Equipment	<u>34,756</u>
Excess of revenues over expenditures	-
Beginning fund balance	<u>-</u>
Ending fund balance	\$ <u><u>-</u></u>

## CITY OF KING COVE, ALASKA

## City Fuel Internal Service Fund

## Schedule of Net Position

June 30, 2018

(With Comparative Amounts for 2017)

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Fuel inventory	\$ 257,206	96,731
Noncurrent assets:		
Property, plant and equipment - fuel tanks	871,489	871,489
Less accumulated depreciation	(435,741)	(392,167)
Net property, plant and equipment	<u>435,748</u>	<u>479,322</u>
 Total assets	 \$ <u><u>692,954</u></u>	 <u><u>576,053</u></u>
<u>Liabilities and Net Position</u>		
Current liabilities:		
Accounts payable	\$ <u>6</u>	<u>-</u>
Total current liabilities	<u>6</u>	<u>-</u>
Noncurrent liabilities:		
Advance from other funds	160,285	44,132
Net position:		
Net investment in capital assets	435,748	479,322
Unrestricted	<u>96,915</u>	<u>52,599</u>
Total net position	<u>532,663</u>	<u>531,921</u>
 Total liabilities and net position	 \$ <u><u>692,954</u></u>	 <u><u>576,053</u></u>



## CITY OF KING COVE, ALASKA

## City Fuel Internal Service Fund

## Schedule of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2018  
(With Comparative Amounts for 2017)

	2018	2017
Operating revenues - fuel sales	\$ 302,592	457,312
Operating expenses:		
Salaries and benefits	13,656	18,556
Supplies	1,055	1,718
Fuel	243,565	417,967
Depreciation	43,574	43,575
Total operating expenses	301,850	481,816
Income from operations	742	(24,504)
Net position, beginning of year	531,921	556,425
Ending net position	\$ 532,663	531,921

## CITY OF KING COVE, ALASKA

## City Fuel Internal Service Fund

## Schedule of Cash Flows

Year Ended June 30, 2018  
(With Comparative Amounts for 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from (used) by operating activities:		
Receipts from customers	\$ 302,592	457,312
Payments to suppliers	(404,980)	(392,704)
Payments to employees	(13,765)	(18,637)
Net cash flows from (used) by operating activities	<u>(116,153)</u>	<u>45,971</u>
Cash flows from noncapital financing activities:		
Increase (decrease) in advance from other funds	116,153	(25,812)
Fuel loan payments	-	(20,159)
Net cash flows from (used) by noncapital financing activities	<u>116,153</u>	<u>(45,971)</u>
Net increase in cash and investments	-	-
Beginning cash and cash equivalents	<u>-</u>	<u>-</u>
Ending cash and cash equivalents	\$ <u><u>-</u></u>	<u><u>-</u></u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	\$ 742	(24,504)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	43,574	43,575
(Increase) decrease in assets - fuel inventory	(160,366)	26,981
Increase (decrease) in liabilities:		
Accounts payable	6	-
Accrued payroll and related liabilities	(109)	(81)
Net cash flows from (used) by operating activities	\$ <u><u>(116,153)</u></u>	<u><u>45,971</u></u>

# **COMPLIANCE REPORT**

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Independent Auditor's Report**

Members of the City Council  
City of King Cove  
King Cove, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of King Cove, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of King Cove's basic financial statements, and have issued our report thereon dated May 6, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of King Cove, Alaska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of King Cove, Alaska's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of King Cove, Alaska's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2018-004 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as findings 2018-001, 2018-002 and 2018-003 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of King Cove's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Response to Findings**

The City of King Cove's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses and corrective action plan. The City of King Cove's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anchorage, Alaska  
May 6, 2019

CITY OF KING COVE, ALASKA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

  X   Yes

       No

Significant deficiency(ies) identified?

  X   Yes

       None reported

Noncompliance material to financial statements?

       Yes

  X   No

**Section II – Financial Statement Findings**

**Finding 2018-001**

**Internal Controls over Payroll**

**Significant Deficiency**

**Condition:**

During testing over internal controls over payroll we noted two instances of discrepancies. One instance an employee paystub did not agree to the corresponding timesheet by one hour and the other instance there was lack of supporting documentation for one employee’s utility deduction.

**Criteria:**

Timesheets should agree to the corresponding paystub and supporting documentation of employee’s utility deductions authorized per employee should be kept in their personnel file.

**Context:**

We tested a sample of 40 payroll transactions from the population. The sample included disbursements to 19 different individual employees. Of the 19 employees only one employee was lacking supporting documents for utility deduction. Another employee out of the 19 did not have a matching paystub and timesheet.

**Cause:**

The City has no formalized written policies for internal controls over payroll and personnel files. There is a lack of review process and procedures pertaining to the upkeep of the personnel files and the review of timesheets.

**Effect:**

There is a risk of over or underpaying employees, creating misstatements of payroll expenses and associated liabilities. Lack of supporting documentation maintained in the personnel file could result in under or over charging employees for utilities.

CITY OF KING COVE, ALASKA

Schedule of Findings and Questioned Costs, Continued

**Recommendation:** We recommend that the City follow formal policies and maintain proper documentation in each employee's personnel file and following the review and approval process for each timesheet.

**Management Response:** See Corrective Action Plan.

**Finding 2018-002**  
**Significant Deficiency**

**Internal Controls over Harbor Billing**

**Condition:** While testing internal controls over harbor billing we noted one instance where the pre-approved rate did not agree with the ordinance established. Additionally, there were some instances of lack of documentation establishing the size of vessels.

**Criteria:** Amounts charged should agree to the City's ordinances pre-approved rates and there should be documentation about the size of the vessels to charge the correct rate according to the billing system.

**Context:** We tested a sample of 40 harbor billing transaction from the population.

**Cause:** Due to lack of supporting documentation of vessel sizes individuals were charged different rates per size listed per the ordinance.

**Effect:** This could cause an understatement of revenues.

**Recommendation:** The City should institute a review process for harbor billing transaction entered into the system and keep supporting documentation of vessels with transactions.

**Management Response:** See Corrective Action Plan.

**Finding 2018-003**  
**Significant Deficiency**

**Internal Controls over Credit Cards**

**Condition:** During our testing of internal controls we noted that multiple credit card transactions lacked supporting documentation of receipts.

**Criteria:** The City's cash disbursement policy states that any charges are required to provide a receipt.

**Context:** We tested a sample of two monthly credit card statements out of twelve. In September's statement there were two receipts missing and for March's statement there was one receipt missing.

**Cause:** There are no formal policies and procedures over credit card system creating a lack of control.

CITY OF KING COVE, ALASKA

Schedule of Findings and Questioned Costs, Continued

<b>Effect:</b>	Funds could be misappropriated for personal use.
<b>Recommendation:</b>	The City should establish policies and review these policies with personnel.
<b>Management Response:</b>	See Corrective Action Plan.
<b><u>Finding 2018-004</u></b> <b>Material Weakness</b>	<b><u>Prior Period Adjustment</u></b>
<b>Condition:</b>	During our review of revenues for KCAP reimbursements, an agreement between the City and the Borough to reimburse expenses related to road constructions, we noted an instance where the prior year a reimbursement payment was missed and agreement to receive the late payment was drafted in and paid in the current year.
<b>Criteria:</b>	According to GASB, contract revenue should be on an accrual basis this establishes that the revenue for the missed payment should be accrued in the prior period when earned.
<b>Context:</b>	We reviewed revenues accrued in 2018 to determine there was a payment that was missed and earned in the prior period.
<b>Cause:</b>	Improper accrual of revenue and accounts receivable.
<b>Effect:</b>	Overstatement of revenues and assets in the current period.
<b>Recommendation:</b>	The City should accrue revenue and receivable in the correct periods.
<b>Management Response:</b>	See Corrective Action Plan.





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## Summary of Prior Audit Findings

June 30, 2018

### **Finding 2017-001** **Material Weakness**

#### **Internal Controls over Payroll**

#### **Condition:**

The majority of personnel files did not have up-to-date authorized pay rates. There were multiple occurrences of time sheets not being reviewed and approved by a supervisor, and three instances noted in which no time sheet for an hourly employee could be located. There were multiple instances in which personnel files tested lacked one or more required documents. This is a repeat of Finding 2016-003.

#### **Status:**

This finding has been repeated as Finding 2018-001.

### **Finding 2017-002** **Material Weakness**

#### **Internal Controls over Sales Tax**

#### **Condition:**

Sales tax forms with erroneous amounts were submitted to the City because businesses either used an incorrect form or used the appropriate form but calculated the tax due incorrectly. The forms were processed without correction.

#### **Status:**

This Finding has been resolved.



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## Corrective Action Plan

June 30, 2018

### **Financial Statement Findings**

#### **Finding 2018-001**

#### **Internal Controls over Payroll**

**Name of Contact Person:** Kim Newman

**Corrective Action Plan:** Place a sheet in each employee's file that will be used to track changes to pay / insurance, etc. Require employees to sign when changes to employment are made.

**Proposed Completion Date:** September 15, 2019.

#### **Finding 2018-002**

#### **Internal Controls over Harbor Billing**

**Name of Contact Person:** Kim Newman

**Corrective Action Plan:** Customer accounts will be updated with new rate info. Vessel lengths will be verified and noted in customer files.

**Proposed Completion Date:** March 30, 2019.

#### **Finding 2018-003**

#### **Internal Controls over Credit Cards**

**Name of Contact Person:** Amber Jusefowytch

**Corrective Action Plan:** Issue a memo reminding CC holders of their obligations to procure and maintain receipts for City expenditures.

**Proposed Completion Date:** September 15, 2019.

CITY OF KING COVE, ALASKA

Corrective Action Plan, Continued

**Finding 2018-004**

**Prior Period Adjustment**

**Name of Contact Person:** Amber Jusefowytch

**Corrective Action Plan:** None – this was an anomaly. We continue to retain qualified personnel to help us with pre-audit.

**Proposed Completion Date:** N/A.